





## PROFILE OF HAIG

## Headstrong army man takes fresh stab at politics

BY LIONEL BARRER IN WASHINGTON

MR. ALEXANDER HAIG, the four star general and former US Secretary of State who declared yesterday he would run for President, is an experienced but headstrong military man who so far has yet to master the art of being a politician.

A 57 and married 62 year old, Mr. Haig, a dark horse Republican, has survived open heart surgery, the Watergate scandal of the Nixon presidency, and a long career in the US Army.

The incident was used by Mr. Haig's critics within the first Reagan Administration to vitiate the secretary of state as a power-grabbing megalomaniac and led to a trench warfare between the State Department and the White House, supported by Mr. Caspar Weinberger at the Pentagon.

Since his downfall — which came after numerous threats of resignation — Mr. Haig retired to write a book about his Washington experiences, became a high paid business consultant, and toyed with the idea of running as the Republican's choice for president.

There is little doubt that Al Haig harbours a power vacuum. "What I offer is leadership... to take our country into the next decade," he said at a black tie fund raising in New York on Monday night, "to build a more prosperous America... and leadership, above all of an America willing and able to keep the peace."

But his qualities go beyond his assertive style. As a former NATO commander between 1974-78, Mr. Haig built up good relations with US allies in Europe and a feel for foreign affairs not shared by some of President Reagan's Cabinet members, such as Judge William Clark, once Mr. Haig's deputy who later served briefly as National Security Adviser.

Mr. Haig, a native of Pennsylvania, starts way back in the polls. At present, barely 5 per cent of Republican voters would back him in the presidential election race. In spite of his high



Haig-back in the fray

name recognition — far greater than for example Democrat presidential rivals such as former Arizona governor Bruce Babbitt and Congressman Richard Gephardt of Missouri, he is running against equally established national figures such as Mr. George Bush the Vice President, Mr. Robert Dole, the Senate minority leader.

Mr. Haig's time, too, may have come and gone. His career highpoints in Washington came during the Nixon era when he was chosen to be Mr. Henry Kissinger's deputy on the National Security Council, when dynamic global diplomacy was in vogue, and in 1973 when he was chosen to be Mr. Richard Nixon's White House chief of staff.

He did well, holding together a White House which was crumbling under pressure from the Watergate scandal. Though he supported Mr. Nixon's wiretapping of opponents, his reputation grew as he was credited with persuading Mr. Nixon to resign.

Though moods can change in the run up to an election, it is far from clear that America wants a man for a crisis in 1988. Mr. Haig may therefore be remembered in history as a gifted military leader who did more than most to muddle the English language.

His mixture of bureaucracy, odd syntax and malapropisms have been dubbed "Haig speak." One characteristic example came when he blamed former President Jimmy Carter for "an almost conscious castration of America's eyes and ears around the world."

## Banks in Brazil hit by strike

By Our Foreign Staff

Bank workers in Brazil began an indefinite strike yesterday to press for a 100 per cent wage increase, monthly cost of living pay adjustments and an end to redundancies.

The employers' association, Febreban, said private banks were able to operate normally, but the strikers said 40 per cent of 750,000 bank workers had come out on strike, making bank business impossible.

The strike brought Brazil's largest commercial bank, the Government-owned Banco do Brasil, to a halt. The bank's solidly unionised workers want the same pay and conditions as their colleagues at the central bank.

The Sao Paulo stock market, Brazil's most important, traded normally yesterday. Febreban said wages have already increased 44 per cent this year, could rise further in April if March inflation is above 13 per cent. The strikers dispute these figures.

The bank strike is the latest in a wave of labour unrest among all workers and seamen. The bank strike could further weaken Dr. Collor's administration, the Finance Minister, who has offered the bank workers a 20 per cent increase.

David Owen reports on Chicago's problems as the water level continues to rise

## Lake Michigan turns against Windy City

CHICAGO has never shown much respect for the force of nature. When in the 1850s, a worsening mud problem threatened to silt-up its streets, the entire city was raised building by building in a decade-long project. Forty years later, when Chicago River effluent threatened to poison Lake Michigan, city engineers stepped in to reverse its flow.

Now, as the events of February 8 graphically illustrate, nature, in the form of Lake Michigan, has again returned to haunt the city.

At 9 am on that fateful Sunday the lake, whipped to a frenzy by 50 mph winds, burst through a seawall on the city's north-eastern flank. By noon, large stretches of Lake Shore Drive, one of the city's main arteries, resembled Venice's Rialto.

Like Godot, such an event has been anticipated for a considerable time. As early as 1954, eight people were killed when a freak wave swept along the city's shoreline.

The root of the problem, it seems, is the region's changing climate. As the midwest climate has tended to grow cooler and damper, the lake's water level has gradually been rising.

Over the past 40 years, rainfall over the lake has been higher than usual, explains Mr. Charles Shabica, chairman of Chicago's Lake Michigan task force and Professor of Earth



Lake Michigan: rainfall in the area higher than usual over the past 40 years

Sciences at Northeastern Illinois University. "If the climate stays as it is, the lake will rise a further 1½ ft over the next several years," he adds.

Chicago, built as it is on a low-lying plain, would be particularly vulnerable to the consequences of still higher water levels. A not-yet-completed army corps of engineers' study reportedly estimates that the city's lakefront parks could disappear at a rate of some 35 ft a year unless urgent repairs are made to the existing seawall.

Despite his plans to protect the city's 29-mile shoreline on a permanent basis remains sketchy in the extreme.

The tendency instead has been to rely on increasingly inadequate contingency measures. "Right now I have \$40m to protect a 2½-mile stretch of shoreline," says Ms. Shell Lalkin of the Association of Sheridan Road Condominium Owners. This, she estimates, is sufficient to cover emergency relief in the form of sandbags and rubble breakwaters, but not to provide a long-term answer.

When celebrated local architect, Daniel "make no little plans" Burnham, in 1909 suggested 10 man-made islands as a means of preventing erosion

by breaking waves before they hit the shore, the city was unable to drum up the necessary finance. When a revised proposal for up to 3,000 acres of islands, peninsulas and lake-shore extensions was drawn up in 1972, it met a similar fate.

Today, planners put the cost of such a project at approximately \$800m. That sort of expenditure is probably out of the question for a city struggling to balance its books in the wake of sharp cuts in Federal aid.

Consequently, experts believe that the construction of an off-

shore barrier to supplement the ageing seawall is the most likely course of action.

"Probably the best way to do it is to build a series of breakwaters a quarter to half a mile offshore as primary wave armour," says Mr. Shabica. "Then the park district could landfill behind them to form either islands or a peninsula," he elaborates. "The maximum cost of such a structure would be about \$5,000 a foot."

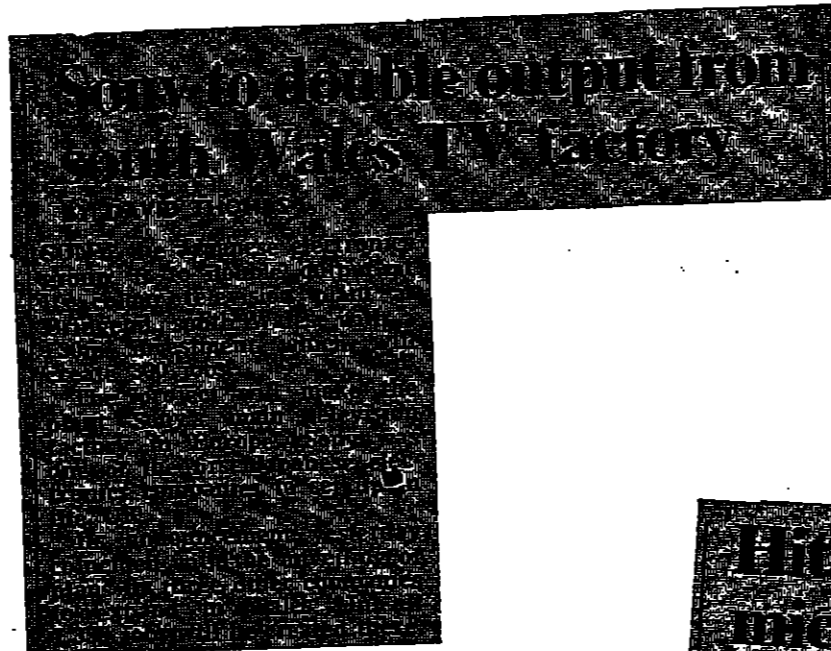
Allowing at least \$45m for seawall repairs, the bill to protect Chicago's entire shoreline would still come to a prohibitive \$4.30m. The most threatened two-mile stretch, including property valued at some \$1bn, could, however, be shielded in this way for a more manageable \$25 to \$30m.

Meanwhile, the recent inundation has predictably become something of a political football in the run-up to the city's April 7 mayoral election.

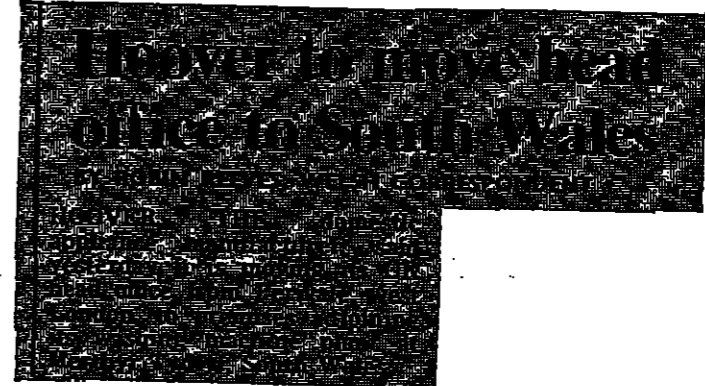
In 1979, current challenger Ms. Jane Byrne earned the nickname "The Snow Queen" for her victory over former mayor, Mr. Michael Bilandic. Her success was generally attributed to Mr. Bilandic's unsatisfactory response to a heavy snowstorm.

Should she rally from behind to beat Mayor Harold Washington, in the forthcoming Democratic primary, local wits may feel justified in modifying Ms. Byrne's alias to "the Lady of the Lake."

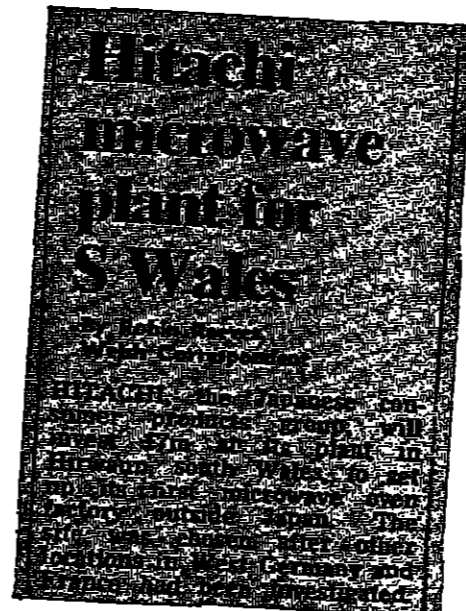
## Follow the leaders



Financial Times, 3rd March '87.



Financial Times, 28th November '86.



Financial Times, 13th January '87.

## Pennsylvania town evacuated after plant blaze

ABOUT 15,000 residents evacuated from their homes in Nanticoke, Pennsylvania, yesterday after a chemical fire spread a cloud of toxic chemicals over the area, agencies report.

No injuries were reported from the toxic fumes. The fire broke out early in the morning at the Spencer Metal processing plant outside the town, which is 100 miles north west of New York City.

The plant uses acids and alkalis in metal plating. The fire was brought under control after five hours.

"The town is empty," Mr. E. J. J. Federick, Nanticoke's municipal emergency manager, said.

"Police and National Guard units equipped with gas masks are patrolling the streets."

Firefighters had the fire under control, Mr. Mark Metz, a police spokesman said, but the evacuees will not be allowed back for at least 12 hours. Many people moved in with relatives or friends in nearby towns.

Environmental authorities said the acid fumes would begin to break up in the sunlight but that people with respiratory problems, especially the elderly, would be advised to be particularly careful.

## Defence boosts orders for US durable goods

By Nancy Dunne in Washington

NEW ORDERS for US durable goods rose 6 per cent in February, boosted by a 48.9 per cent jump in orders for defence capital goods, like communications equipment, aircraft and missiles.

The rise in orders for durable goods, those expected to last three years or more, is a closely watched sector for signals about the health of manufacturing. However, in recent months the category has been volatile, particularly when orders for defence goods are taken into account.

The increase for February, the largest in five months, follows a record 2.9 per cent decline in January, when orders for defence capital goods fell 38.8 per cent.

In February, transportation equipment recorded the largest rise, up 11.1 per cent, following an 18 per cent decline in January. Strength was reported in military demand for aircraft, ships and tanks. Orders for electrical machinery rose 8.2 per cent, and primary metals orders moved up 13.9 per cent.

The important non-defence capital goods category, which includes machinery and non-defence communications equipment, fell 1.8 per cent last month. Analysts attributed the weakness to the new tax reform law, which removed benefits for business investment.

## World Bank projects in India come under fire

BY NANCY DUNNE IN WASHINGTON

THREE WATER projects planned for India by the World Bank are at the top of a revised report sent to Congress of 28 development schemes which could damage the environment.

Congress last year began demanding a warning list of possibly hazardous projects after several witnesses told of environmental or resettlement disasters in projects in Brazil, Indonesia and Botswana.

The report, submitted by the US Agency for International Development as required by law, raises concerns that two Indian projects to develop the Narmada river basin could run into resettlement problems and have a detrimental effect on irrigation water quality. The schemes are to be funded by a

\$350m World Bank loan for a dam and power project and a \$70m loan from the bank's soft loan arm, the International Development Association (IDA), for a resettlement and rehabilitation project.

The report says discussions have been held with World Bank staff, which are concerned about the same issues and have developed a separate project to address resettlement problems. Further processing of the projects awaits environmental clearance from the Indian Government.

The report also raises questions about plans for resettlement in a \$200m World Bank irrigation and agricultural project in Upper Krishna.

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OVERSEAS NEWS

China reminds army of lessons of Lei Feng

Colina MacDougall reports on a campaign to reunite the divided loyalties of the military

LEI FENG, a young soldier whose humble role as a "rustless screw" in Mao's grand design was a model for China in the 1960s, has ominously reappeared as a suitable example for the army of today.

In the last few weeks a revived "Learn from Lei Feng" movement has begun to take off. This argues significant support in sections of the army for something even tougher than the military's present "anti-bourgeois liberal" campaign, announced in February after the winter's student demonstrations and the dismissal of party general secretary Hu Yaobang.

The "anti-bourgeois liberal" movement had already indicated that conservatives were to the fore both nationally and in the army. New references to the army as a "pillar of the proletarian dictatorship" suggested that some military conservatives were pushing for a still larger role.

The resurrection of Lei Feng is an oddity in today's sophisticated China. Relentlessly washing socks and patching shoes for his fellows, Lei Feng came to an inglorious end when an incompetent driver backed his truck into a telephone pole which fell on him. His posthumously published diary, stuffed with boy-scout-style good deeds, was trumpeted throughout China in the mid-60s as an educational reading for the young.

The call to learn from Lei

Feng was launched in mid-February by no less a person than 71-year-old General Li Desheng, formidable soldier whose armies captured Seoul in the Korean War. Once a member of the ruling Politbureau Standing Committee, he was a strong supporter of the Gang of Four in the Cultural Revolution and a colleague of Mao's now disgraced nephew, Mao Yuanxin. Today, demoted since the rise of supreme leader Deng Xiaoping, he is political commissar at Peking's new National Defence University and a member of the increasingly powerful State Advisory Commission.

Earlier this month the Lei Feng campaign was taken up nationally by conservative leaders at a meeting in Peking. Widely reported in China, the meeting held him up as a model for the army and for all China's young people.

The army is already the target of China's most rigorous "anti-bourgeois liberal" campaign. Two important circulars on opposing "bourgeois liberalism" have been published, one by the party's key Military Commission, and one by the army's General Political Department. While they concede that reform and modernisation must continue, they stress that political education is vital.

This may reflect doubts among China's senior leaders as to where the military's loyalties lie. Two days after Hu was dismissed, Chief of Staff Yang Dezhong emphasised to senior



From left: Li Desheng, launched campaign; Yu Qunli, praised unity of army; Yang Dezhong, supported decision to sack Hu.

officers in Canton that they should strictly observe discipline and "resolutely" support the Central Committee's decision to sack Hu.

While the military's top political commissar, Politbureau member Yu Qunli, recently praised the "stability and unity" of the army, this is a phrase which occurs in China when things are less than stable. Hinting at loyalty problems, Guo Linxiang, of the army's General Political Department, called last month for the army to be "unconditionally subordinate to the interests of the majority at all times."

Much of the gist of the anti-bourgeois-liberal movement in the army has related to discipline, obedience and the primacy of the party, which should, in Mao's often-quoted words, "command the gun, not the gun the party."

In recent years the military has been through a modernisation process which has not improved its cohesion. The manpower cuts promised two years ago from over 4m to 3m have meant bitter warring between elderly officers reluctant to go and younger, better-educated men after their jobs. The reorganised units now uncomfortably combine men with widely differing loyalties.

On top of that army men, like almost everyone else in China in recent years, have exploited the new freedoms of the reform.

Some pursued personal fame, abused power, sought gain and pleasure, and some even "practised graft and embezzlement and embarked on the road of crime" charged Yu Qunli in a recent article in the party journal Red Flag.

Divisions between conservatives and reformers in the military are underlined by how patchily the Lei Feng campaign at first appeared. The circular published by the party's Military Commission and the army's General Political Department did not mention it. Lei Feng first surfaced on a local level in Shenyang. Li Desheng's military units paid little attention. After this month's high-level Lei Feng meeting, it may now spread nationwide.

There has been overt opposition to the Lei Feng movement. Li Desheng accused China's "bourgeois liberals" of calling it "leftist."

"They said it would just create tools, not train people," he declared.

With Deng's increasing age and the recent dismissal of Hu Yaobang, vital jobs such as the chairmanship of the Military Commission will more and more appear to be up for grabs. The different voices now speaking in China reveal ever more clearly the rival factions aiming for power in this increasingly fluid situation.

Rocket crash seen as setback for India's space hopes

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S space programme received a serious setback yesterday when an Indian-made satellite launch vehicle crashed in the Bay of Bengal less than three minutes after blasting off from Sriharikota near the southern city of Madras.

The launch was watched by Mr Rajiv Gandhi, Indian Prime Minister, who admitted it would delay the space programme. But he tried to minimise the impact on his country's search for self-reliance in space technology by saying that all such programmes ran into problems.

The launch vehicle, carrying a 145 kg satellite, was made in the southern Indian city of Thiruvananthapuram and was one of a second generation produced for the Indian space research organisation which intended to use it for low earth orbit missions.

Professor U. R. Rao, chairman of India's Space Commission, said later that the rocket seemed to have malfunctioned after the first stage motor ignition. "The stage separation took place, but may not have been at the right time," he added.

India started its space programme in 1962, aiming at eventual technological self-reliance, and is spending Rs 2,650m (£128m) in the current year. In 1980 it became the sixth country in the world to build a satellite, weighing 40 kg, and send it into space using its own launch vehicle.

It has also used US and Soviet rockets for other launches and intends to use the European Ariane system next year.

Space technology is important to India which is using satellites to improve its telecommunications and television and for meteorological work, especially advance forecasting of monsoons. Yesterday's crash involved an augmented satellite launch vehicle.

Mr Gandhi appeared last night to be heading for a political setback with a likely defeat in Congress 1 Party in regional assembly elections in the southern state of Kerala.

In recent weeks Mr Gandhi has campaigned personally against a communist-led Left Democratic Front coalition, which last night seemed set for victory. The expected result would be a blow to his political prestige.

This is one of three state assembly elections which took place on Monday and is the one where Mr Gandhi hoped to win a significant victory by keeping a coalition led by his party in power.

In West Bengal his party has had little chance of defeating another communist coalition which appeared last night to be heading for a convincing victory.

In the northern state of Jammu and Kashmir, Mr Gandhi's party is backing a national conference party which seemed set for victory.

China's ex-party chief to re-emerge in parliament

BY ROBERT THOMSON IN PEKING

HU YAOBANG, the former Communist Party general secretary, is to attend the opening session today of China's parliament in his first public appearance since his forced resignation in mid-January.

Hu, reported to have been severely depressed in recent weeks, was formally chosen yesterday to sit on an elite group presiding over the National People's Congress (NPC), China's version of a parliament.

Diplomats had suggested that the NPC could approve important personnel changes to fill gaps left in the leadership by Hu's demise, but an NPC spokesman said yesterday that no senior appointments would be made. At present, Zhao Ziyang is both premier and acting party chief and it had been thought that a new vice-premier could have been

appointed to pave the way for the selection of a new premier.

However, it now seems likely that the appointments will be made at a party conference in the autumn. Zeng Ta, the NPC spokesman, said there was no opposition to Hu being selected for the NPC leading group: "I attended the preparatory meeting, and I didn't see anybody cast a dissenting vote."

Hu Yaobang was forced to submit his resignation in January after having clashed with elderly Communist Party leaders, including the paramount leader, Deng Xiaoping, on numerous issues, including his allegedly "soft" approach to Western influence.

Diplomats said Hu's imminent reappearance is a sign that he will retain his position on the powerful Politburo for the time being.

South African right fails to agree on election pact

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S two feuding right-wing parties, the Conservative Party (CP) and the Herstigte Nasionale Party (HNP) have failed to agree on an election pact which would have presented the ruling National Party with a powerful right-wing challenge.

Instead of pooling their forces it appears that the CP and the HNP will fight each other for the right-wing vote in over 100 constituencies.

The idea behind the mooted election pact was that the HNP would not present candidates in the 17 constituencies presently held by the CP while the latter would not present candidates in 10 marginal constituencies where a combined right-wing vote stood a good chance of unseating the ruling NP candidate. Similar tactical alliances between the two would be worked out at constituency level elsewhere.

But the refusal of the CP to stand aside in the Pretoria constituency of Hercules in favour of the HNP leader Mr Jaap Marais and a combination of personal and ideological differences between the two parties' leaders frustrated a last minute attempt to forge a pact before the March 31 candidate nomination deadline.

The depth of personal bitterness between Mr Marais and Dr Andries Treurnicht, the CP leader, stems from the early 1970s when the latter, then chairman of the Afrikaner Broederbond secret society,



Terre Blanche: gained prestige

expelled the HNP and its supporters from the organisation.

This followed the HNP's walk out from the National Party in protest against the Government's decision to allow a New Zealand Maori - in South African terms a "Coloured" - cricketer to play in South Africa.

The refusal of Mr Marais and his supporters to compromise sufficiently to permit a tactical election alliance with the CP has angered the Afrikaner Resistance Movement (AWB) whose leader, Mr Eugene Terre Blanche, has gained considerable prestige by acting as mediator over the last six weeks. However, it has delighted the ruling National Party.

Hong Kong newspapers welcome Macao accord

BY DAVID DODWELL IN HONG KONG

HONG KONG'S English and Chinese language newspapers were universally positive yesterday in welcoming the Sino-Portuguese agreement on the future of Macao to China's sovereignty in 1999.

Even though no details of the agreement will be revealed until tomorrow.

The Portuguese Government was congratulated in Hong Kong's English language papers for appearing to have wrung concessions from China on the right of residents in this tiny enclave of 450,000 people on China's southern coast to hold dual nationality.

Macao, 40 miles west of Hong Kong across the Pearl River delta, is Portugal's last colonial territory. It has held power there for over 400 years, and has always regarded residents as full Portuguese citizens.

The British Government, which took two years of often vitriolic negotiation to reach agreement with Peking on the terms under which China would resume sovereignty over Hong Kong in 1997, failed to win any concession allowing dual nationality - though there are doubts in Hong Kong that British negotiators fought fiercely over this issue. Hong Kong residents holding British overseas passports have no right to live in the UK.

Most Hong Kong newspapers wasted no time in saying that Peking's sights were now focussed on Taiwan. They ignored or glossed over questions over how continuity is to be maintained in Macao's civil service - which is at present manned exclusively at a senior level by expatriates from Portugal on two and four year contracts - and

the fate of a judicial system that uses the Portuguese language, and is based on a legal code used nowhere except Portugal.

Macao has no Chinese judges or lawyers, and career prospects are so limited that the likelihood of recruiting them in future is regarded as slim.

They credited the swift completion of an agreement, which was signed in Peking on the eve of China's National People's Congress after just four negotiating sessions spread over less than nine months, on the blueprint provided by the 48-page Sino-British declaration on the future of Hong Kong, which was ratified at the end of 1984.

The Wen Hui Pao, which is often a good barometer of opinion in Peking, argued in an editorial that the agreement demonstrated that Chi-

na was sincere in implementing the "one country, two systems" policy that had also been the guiding principle for the agreement on Hong Kong's return to Chinese sovereignty.

An editorial in the South China Morning Post, Hong Kong's leading English language newspaper, talked of the settlement as "a considerable victory for both the Chinese and Portuguese sides," and a significant boost to confidence in Hong Kong.

It went on to suggest that the agreement on Macao illustrated the flexibility of the "one country, two systems" formula for handling differing circumstances and demands, "thus arguing well for the eventual reunification of Taiwan with the mainland."

In the absence of any knowledge

of the details of the agreement, confidence appeared to be based mainly on the links on dual nationality.

For most Hong Kong people, the Portuguese territory remains of interest as a gambling resort, and as a manufacturing base for companies that can benefit from its liberal trade access to the US and European markets.

At a political level, there has been rather little interest in Hong Kong over the past year in Portugal's negotiations over the future of Macao. The territory has been much more powerfully influenced by Peking in recent years than has Hong Kong, and local people appear less strident and sensitive over the civil liberties that have been the focus of so much concern in the larger British territory.

Iran warns US on Gulf intervention

By Our Middle East Staff

Iran yesterday reacted sharply to American offers of protection for Kuwaiti warships, saying that if the US intervened in the Gulf, the entire world would become unsafe for Americans.

US officials have said in recent days that the US navy, which has about 24 warships in or near the Gulf, was prepared to escort Kuwaiti tankers, which have been regular targets for Iranian attacks. Washington is understood to be still awaiting Kuwait's reply.

Mr Casper Weinberger, the US Defense Secretary, said on Sunday that the US was drawing up contingency plans to safeguard shipping in the Gulf. "It's been the policy of the United States that we need to have the freedom to navigate, and our friends and allies need to have the opportunity to send shipments through without having their ships destroyed," he said.

But in an interview reported by the Iranian news agency yesterday, Hajj-Akbar Rafsanjani, the influential speaker of the Iranian Parliament, said it was Tehran's prerogative - as the country with the longest Gulf coastline - to safeguard security.

"If US intervention occurs, the entire world will become insecure for the Americans and the events of Lebanon could be repeated for the Americans everywhere," he warned in a reference to the 1983 car bombing of US military headquarters in Beirut in which 241 marines died.



King Fahd of Saudi Arabia (right) was given a full ceremonial welcome by the Queen in London yesterday as he arrived for a state visit designed largely as a symbol of the close political and economic ties between the two countries. It is the Saudi monarch's first official trip to Britain since he came to the throne.

Korea economy grows by 12 1/2%

THE South Korean economy grew by its highest rate in nine years last year, provisional central bank figures released yesterday show. Reuters reports from Seoul.

The Bank of Korea said Seoul's export-led economy grew 12.5 per cent, reflecting soaring exports and increased investment, compared with a 5.4 per cent rise in gross national product in 1985.

Trade Ministry officials said low oil prices and a strong yen made South Korea's exports more competitive and led to its first-ever trade surplus of \$4.2bn last year.

Government officials forecast the country's economy would grow at least 8 per cent this year despite increasing protectionist pressures in the US.

Conable urges Indonesia reforms

BY JOHN MURRAY BROWN IN JAKARTA

MR BARBER CONABLE, president of the World Bank, said yesterday that increases in Indonesia's borrowing from the bank depend on Jakarta's implementation of further economic reforms.

Speaking at the end of a four day visit to Indonesia - the bank's second largest creditor world-wide - Mr Conable said further loans would be "forthcoming if the Government continued its adjustment process."

The bank recently agreed a \$300m trade policy loan with Indonesia, which faces an economic downturn following a

fall in earnings from oil, its main export. The Philippines was hitherto the region's only recipient of such balance of payments support from the bank - more commonly associated with Africa than Asia.

Such assistance - as distinct from project aid - last year accounted for 30 per cent of the bank's lending to Indonesia, officials said. This compares with a figure of 20 per cent world-wide.

The Government has recently introduced various policy reforms: it has increased areas open to foreign investment and scrapped a number of trade and

import monopolies, said to be the main reason for the country's high cost economy.

Indonesia, long considered a good credit risk now faces a 32 per cent debt service ratio - service payments on the country's \$30m public debt as a percentage of exports of goods and services. Total debt, government and private is currently put at \$97m.

Mr Conable yesterday argued that the debt service ratio was the result of "extraneous factors" - in particular the recent appreciation of the yen.

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## China urges US to relax controls on high technology

BY DAVID MARSH IN BONN

A CALL for the US and its allies to relax controls on high-technology trade with China was made yesterday by Wu Xueqian, the Chinese Foreign Minister.

At the end of a five-day visit to West Germany, the Chinese minister said that measures already taken to loosen export regulations concerning the West's trade with China had not gone far enough.

Wu described the controls as "not sensible." He declined to go into details about what prohibited products China would like to buy from the West.

But industry observers believe that Beijing is interested in increasing the sophistication of its electronics imports, including defence equipment.

The Co-ordinating Committee for Multilateral Export Controls (Cocom), the Paris-based organisation which regulates the West's trade with the Eastern bloc, has over the past year liberalised controls over some areas of trade with China.

Wu said he believed West Germany and other Western European nations were urging their relaxation of technology

transfer rules, but indicated this was meeting opposition from the US.

If the US now thought of China as a "friendly, non-aligned country," Wu said, this should have consequences for the country's treatment at Cocom.

Wu, who has also been visiting several East European countries, travels tomorrow to Switzerland. During his stay in Bonn, he signed an agreement under which West Germany will finance Dm 70m (24m) of trade and investment with China.

Questioned about German disappointment at China's decision last year not to buy nuclear reactors from the Federal Republic, he said talks with West German industry over nuclear co-operation were continuing.

Kraftwerk Union, the big German power reactor company, whose hopes of landing important nuclear power station contracts were dashed last year, is known still not to have completely ruled out chances of some sort of nuclear agreement with China.

## John Murray Brown reports on Indonesia's burgeoning countertrade with the countries of Eastern Europe

### Business not politics as Jakarta turns to Comecon

HOW do you sell Polish hams to Indonesia, the world's largest Moslem nation? Such conundrums are now the staple diet of Indonesian officials pursuing countertrade deals with the Comecon countries of Eastern Europe.

Indonesia by all accounts is fast acquiring a taste for barter, long favoured by the East bloc nations.

The past few weeks have seen senior ministers from the Soviet Union, Czechoslovakia and, most recently, East Germany, arriving in Jakarta for talks on everything from countertrade to buyback schemes to possible joint ventures.

Bulgaria then became the first Comecon country to agree barter terms on two separate deals worth a total of \$70m, the follow-up to a trade protocol signed in Sofia last November.

Indonesia launched an official countertrade policy in 1982 in a limited form that only involved government contracts and still required cash transactions. Contracts worth \$1.5bn have so far been concluded.

Countertrading with the East bloc, however, marks a new departure for this staunchly anti-Communist country. The Government's official sanction has been vital for what is

largely a private sector activity. A trip by President Suharto to Hungary and Romania in 1985 signalled a thaw in relations frozen since the days of former President Sukarno, a close friend of both Moscow and Peking.

Indonesia's need to conserve scarce foreign exchange and diversify markets, all the more urgent following the dramatic downturn in earnings from oil, traditionally its main export. But finding products to buy from these countries has proved

Indonesia's barter programme. "Brand names are not known, there is no technical backup, spare parts are difficult to get and the financing not widely available."

In addition, as most transactions have been conducted by

Faced with deteriorating terms of trade and protectionism in its traditional commodity markets in the West, Indonesia has shown pragmatic flair where commercial gain is at stake. Even China, while kept at diplomatic arm's length, now enjoys trade links with Jakarta.

Faced by deteriorating terms of trade and protectionism in its traditional commodity markets in the West, Indonesia has shown pragmatic flair where commercial gain is at stake.

Even China, while officially kept at diplomatic arms length, now enjoys trade links with Indonesia, recently bartering Chinese coal for Indonesian cement.

"We do business not politics," says Mr Hakim Talib, who runs both the Comecon and EEC trade divisions at the Indonesian Chamber of Commerce (Kadin).

Trade with Comecon satisfies

more difficult. Hungarian light-bulbs, East German typewriters, Czechoslovak tractors and, of course, Soviet-built monuments are all that remains of Mr Sukarno's flirtation.

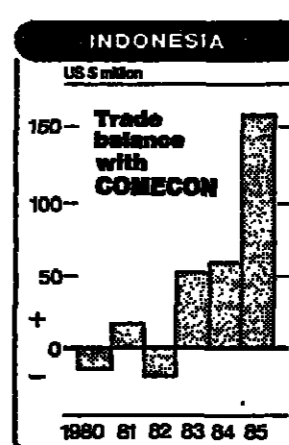
Since the oil boom years of the 1970s, Indonesia has been courted by Western suppliers, all keen to tap this huge domestic market. As a result many Indonesian importers now fight shy of Comecon products, complaining of poor quality and late delivery. "The reasons are always technical," says Prof Suhadi Mangkusuwondo, director of research at the Department of Trade and architecture of

government bodies, Indonesian businessmen remain unfamiliar with the complexity of trade with Comecon.

In 1978 the Government appointed P. T. Pantia Niaga, the state-owned trading house, to co-ordinate and normalise economic ties.

However, trade volume is still low. In 1985, for example, Indonesia's two-way trade with the seven members of Comecon plus Yugoslavia was \$229m, with a \$18m surplus in Indonesia's favour. This is only a fraction of total non-oil trade, with exports at \$5.9bn and imports at \$10bn over the same period.

Indonesian officials now recog-



boost trade with Comecon. Officials even talk of setting up a distribution point inside the East bloc for Indonesian commodities, currently sold through Hamburg and Rotterdam.

Cargill's experience as match maker in such deals is considered all important.

"We turn bilateral into multilateral business," says Mr Ibrahim Rijad, a director of Cargill's Indonesian partner, P. T. Rextford Pratama. Under the umbrella of Geneva-based Tradax Ocean Transport, Cargill provides a clearing account for Indonesian commodities destined for Eastern Europe.

On the deal signed with Intercommerce of Bulgaria for example, Cargill will match Indonesian products, principally rubber, coffee, tea, tin and finished timber, with Bulgarian electrical equipment, fertilisers and steel for ship building, finding third, or even fifth parties for as much as 50 per cent of the contract. Cargill points out that countertrade is at an experimental stage. However, Prof. Suhadi, who acts as Indonesia's chief negotiator at the General Agreement on Tariffs and Trade, already has grand designs to boost East European trade to 15 per cent of total trade in the next few years.

## Ericsson wins breakthrough Algerian order

By Kevin Dore, Nordic Correspondent in Stockholm

ERICSSON, the Swedish telecommunications group, has won a breakthrough contract in Algeria for the supply of digital public switching equipment.

The group said that the order represented a system choice for the future expansion of the Algerian network.

The contract, won in the face of stiff competition from Siemens of West Germany, Alcatel of France and Northern Telecom of Canada, is initially worth around \$50-60m.

The financing of the contract has been backed by concessional Swedish development aid funds with at least 25 per cent of the total coming as grant aid in the form of interest rate subsidies.

"A condition for winning the order was the availability of soft financing," Mr Bo Wall, Ericsson's marketing manager for Africa, said.

As part of the deal, Ericsson has also entered into a 10-year agreement on future industrial co-operation with Algeria involving the local production of its Axi digital public switching equipment.

A joint venture is to be formed with ENTIC, the Algerian state-owned telecommunications equipment maker, in which Ericsson will own 35 per cent.

It is planned that the joint company will eventually produce up to 200,000 lines a year of Axi equipment with initial production beginning within two years.

The breakthrough order signed this week, which has been under negotiation since 1983, covers the supply of one international exchange, three transit exchanges, one local tandem exchange and 90,000 local lines.

The equipment will be supplied from Sweden and is due for delivery during 1988 and the first half of 1989.

## Yeutter sees Gatt consensus on farm trade

Mr Clayton Yeutter, US trade representative, said yesterday

that trade ministers meeting in Taupo, New Zealand, have reached a general consensus on agricultural trade reform under the latest Uruguay round of the General Agreement on Tariffs and Trade (Gatt), Reuters reports.

Mr Yeutter gave no precise details of the understanding but said the consensus covered the principles involved in agricultural trade reform and what needed to be done to improve the global situation in agriculture.

Delegates from 22 countries are meeting informally to discuss progress made since the latest Gatt round was launched in Punta del Este, Uruguay, last September.

Mr Yeutter said: "At least, people seem to be going down the same road now, but how that translates ultimately into negotiations is another matter."

There seemed to be an understanding of the need to deal with the problem quickly.

## Non-tariff trade curb hits Third World

Developing countries have suffered far more than the industrial nations from the proliferation of non-tariff trade restrictions over the past decade, according to a new study by the secretariat of the United Nations Conference on Trade and Development (Unctad), William Dullforce reports.

Over 80 per cent of developing countries' exports of manufactures to the developed market-economy countries were subject to non-tariff measures in 1986, Mr Baghirath Das, director of Unctad's manufactures division, said yesterday.

The corresponding ratio for trade in manufactures between the developed nations was less than 18 per cent.

## S KOREA DEFENCE MARKET

### W European contractors begin to make inroads

BY MAGGIE FORD IN SEOUL

EFFORTS by West European defence contractors to make inroads into the South Korean market, dominated by the US since the Korean war 35 years ago, are beginning to meet with significant success.

A number of contracts have already been won by British companies, and the pace has quickened since South Korea's President Chun Doo Hwan visited Europe last year.

A consortium, including Ferranti and Marconi, have provided a command first control system for surface ships worth \$55m and Shorts Bros successfully bid for a \$30m contract for the Javelin low-level air defence system, which could be expanded.

France was successful several years ago in selling helicopters to the South Korean Navy and the West German company MTRV has supplied the engine for a battle tank being manufactured by the South Korean conglomerate Hyundai.

The European companies' success is based partly on their willingness to transfer technology, defence analysts say.

US companies are always likely to make the running on very large orders, however, because of the close relationship between the two sides.

The US has 40,000 troops based in the country. Washington is also increasingly concerned about its substantial trade deficit with South Korea. US suppliers have been loth to transfer technology in the past, not least because South

Korean companies have succeeded in taking over far Eastern markets from US producers which they have done so.

Two British companies have already set up technology transfer deals in the defence area in South Korea.

Self Changing Gears, a Coventry company formerly part of British Leyland, has provided the technology for gasboxes for armoured personnel carriers being made by Daewoo, another South Korean conglomerate.

The second company, Fairway Marine, based in Cowes, has exported combat patrol boats which will eventually be manufactured in South Korea under licence.

European suppliers also see opportunities where weapons systems have already been bought by the US. France hopes that its Rita ground telecommunication system, already sold in the US, will be bought by the South Koreans, although Britain is likely to push second for a variant on its Flammigan system.

Sales efforts directed at the navy are felt to have more hope of success than in other branches of the defence forces because of its greater autonomy.

Pan-European efforts are already being made to interest the South Koreans in the Tornado, the jet fighter being jointly by BAe, Aeritalia of Italy and MBB of West Germany. South Korea's air force is expected to buy up to 130 new aircraft over the next few years.

# PRUDENTIAL CORPORATION

## PROFITS UP 62%.

Total profit before tax for 1986 increased by 62%.

There was strong underlying growth in the profits from long-term business and the results of general insurance business showed substantial improvement.

The directors have declared an increased final dividend of 19p per share. After adjusting for the rights issue, the total dividend for the year is 17% higher than for 1985.

RESULTS 1986	
1986	1985
£m	£m
Revenue	185.5
Operating profit	15.1
Profit before tax	6.4
Profit after tax	31.3
Dividends	178.1
Reserves	60.5
Assets	116.6
Liabilities	24.56
Equity	29.06
1987 A.M.	1986 B.M.
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TECHNOLOGY

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## AIDS initiative brings switch in UK research policy

IT IS ironic that medical scientists should be the first to announce a directed research programme in Britain. Traditionally they have fought against regimentation. They campaigned vigorously against the Rothschild report in 1971 which sought more co-ordination between Government-funded medical research and the country's most costly health problems.

Yet the long-range research programme to combat AIDS is pioneering a type of research management, which scientific advisers want to see more widely used. For the fight against AIDS the Government has found an extra £14.5m to finance the first three years of what promises to be a steadily expanding programme lasting at least a decade.

One conclusion arising from all this agonising over the national bill for science and the poor correlation with economic objectives, is that Britain needs more directed research. This means programmes with a clear — if faraway — objective, a fund dedicated to that goal, and a will to harness the best of resources.

There is no guarantee that a directed programme will bring success. Scientific research is far too unpredictable. What directed research can do, if well managed, is to channel resources in whichever direction is showing most promise, or wherever progress is being held up. In the case of AIDS, a worldwide problem, the programme can form part of a co-ordinated international effort.

For AIDS, those resources will range from the ideas of individual scientists such as Prof William Jarrett, a veterinary pathologist at Glasgow University, whose funds for vaccine research have been coming from the US, to Wellcome Laboratories at Beckenham, Kent, one of the world's leading industrial centres of vaccine research. It is unlikely to be exclusive to the medical scientists who will involve Government-funded research councils, notably the Agriculture and Food Research Council with its strong base of veterinary science.

The AIDS research programme is the brainchild of Sir James Gowans, the eminent Oxford immunologist who runs the Medical Research Council (MRC). He has persuaded the Government to earmark extra money, rising to £7m a year by 1989, to add to the MRC's £130m research budget. It is a genuine increase in the science budget of the Department of Education and Science, specifically for AIDS research.

The programme has two clear targets: a vaccine to protect against AIDS and a drug to cure those already infected. These are difficult objectives because, as Sir James points out, scientists will be looking for new ways of attacking a virus of "unparalleled complexity." It must first be unravelled into its constituent proteins, only then can drug companies begin to design a vaccine or cure.

The best that companies can do now is to screen existing chemicals to see if they have any therapeutic effect. They have had some success. The most highly publicised discovery so far is Wellcome's zidovudine (AZT), a 20-year-old anti-cancer drug, originally shelved because of toxicity and its high cost of production.

Last week the British Government announced a product licence for AZT — renamed zidovudine — which Wellcome supplies under the trade name Retrovir.

Far simpler viruses than the human immunodeficiency virus (HIV), with its bewildering propensity for change and for attacking different kinds of human cells, still elude medical science. There are no vaccines yet for malaria, cholera, dysentery or typhoid fever, for instance, all of which have plagued mankind for much longer than AIDS.

AIDS was first recognised as recently as 1981, although it probably first appeared in man in central Africa in the 1950s, according to Dr Robert Gallo, who assembled the first AIDS research team at the US Institute of Health in 1981. In 1984 his team showed the cause of AIDS was HIV, a retrovirus which is programmed to seek out the T4 lymphocyte, a white blood cell that regulates the body's immune response or barrier against infection. Another such retrovirus is known to cause leukaemia.

The invading virus may lie latent in the white blood cell until activated by a secondary infection. Then, as Dr Gallo wrote in *Scientific American*: "The virus bursts into action, reproducing itself so furiously that the new virus particles, escaping from the cell, riddle the cellular membrane with holes and the lymphocyte dies."

Deprived of such cells, the victim is highly vulnerable to infections which normally he would hardly notice. Retroviruses have the ability to cause complex forms of ineffective disease. HIV not only cripples the body's immune defences, it attacks the central nervous system and increases the risk from several cancers.

The World Health Organisation has called AIDS "a health disaster of pandemic proportions," and wants an international research effort. The US, which has already mounted a massive research programme, is being urged to expand it eightfold.

Mr Norman Fowler, UK Health Minister, says he learned on his recent US visit how much US scientists would appreciate participation by their British counterparts, not least for their prowess in immunology, vaccine development and molecular biology. All three can be seen as "enabling technologies" known to be crucial to the basic research that must underpin any successful AIDS research programme.

Sir James Gowans, who heads the Medical Research Council in the UK, plans a two-pronged attack on two distant targets. Each of these two initiatives will be led by its own research director, backed by a small steering committee. The directors will identify the most promising leads and will use their funds to commission specific pieces of work.

Dr Gallo says the search for a vaccine is made more difficult because HIV "comprises a great many variants that form a continuum of related strains." It will take at least five years to learn how to grow the virus in bulk, separate and purify its parts and conduct tests on animals. New animal models must also be found — only the chimpanzee has succumbed to HIV so far.

The quest for an anti-viral drug is expected to be similarly protracted. Anti-virals that are unquestionably less toxic than the virus they attack are scarce at present. To design such a drug requires much greater understanding of the molecular biology of HIV and the structural chemistry of its parts, than anyone has today.

Dr Hiroaki Mitsuya and Dr Samuel Broder, of the US National Cancer Institute, who pioneered the use of AZT (zidovudine) for AIDS patients, listed in *Nature* magazine last month eight potential research targets for drugs in combatting a retrovirus.

The MRC programme is proposing to encourage selected basic science laboratories to "reorientate their programmes to study these proteins."

There will surely be those who oppose the whole idea of directed research at as basic a level as this programme demands. They point, for example, to the failure of President Nixon's directed programme to cure cancer in the early 1970s, claiming central direction stifled initiatives, no matter how much money was spent.

But others say that the cancer programme generated much of the "enabling technology" which has already permitted rapid progress in identifying the AIDS virus.

For programme directors, the big issue may be not whether the science should be directed, but whether they can define a strategic role for British science in a huge international effort.

## A Japanese lesson in how to spend and grow rich

BY CARLA RAPOPORT IN TOKYO

THE AMOUNT the Japanese spend on research and development (R&D) in consumer electronics alone is almost equal to the total sales of consumer electronics in Britain.

This is a sobering statement for British companies aiming to compete with the Japanese. It comes from an unusually revealing booklet on Japanese R&D, recently published by the British Chamber of Commerce in Japan (BCCJ).

The booklet points out that as the effects of the high yen continue to damage profitability for Japanese exporters, there is no evidence that R&D spending is being cut. "There is little doubt that Japanese companies see R&D as the best way to overcome the problems of reduced competitiveness due to the yen revolution," the BCCJ states.

In short, informative chapters, the BCCJ dissects Japan's high technology industries, from biotechnology to robotics. Written by British businessmen working in Japan (including two UK researchers who work for Japanese companies), each chapter looks both at the amount the Japanese are spending on R&D in each field, the direction in which the research is moving and an assessment of the

Japanese potential in each field.

Surprisingly, the authors do not give the Japanese high marks in every business. In computers, the BCCJ assesses the much talked-about "fifth generation" computer project, with a total budget of ¥150bn (US\$973m) to 1991, 40 per cent funded by the Government. "It is extremely unlikely that the fifth generation computer system will materially alter the world map of US computer dominance... within the decade," says the booklet.

Nonetheless, it adds: "Patience is a Japanese virtue and decade will be added to decade until their objectives are met."

Other fields, the authors warn, are already under direct threat from the Japanese. In fine ceramics, a field of particular British expertise, the BCCJ states: "British ceramics companies have every reason to be very worried about developments in Japan."

The Japanese Government, it says, estimates the Japanese ceramics sector to be worth ¥10,200bn (\$68bn) by the end of the century, compared to an estimate of \$5bn for the US industry.

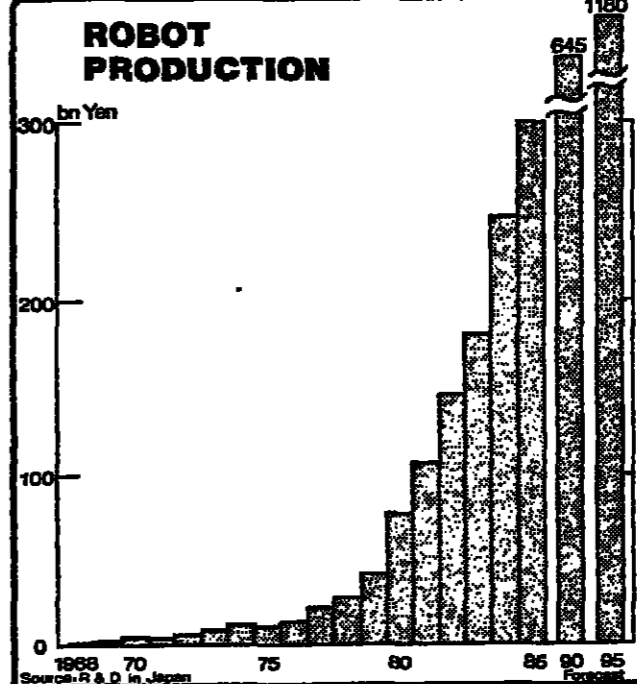
The Japanese approach, it explains, is to use the new ceramics in production applica-

tions for high-volume products such as motor vehicles, where the high costs are partly absorbed. Using this technique, the ceramics makers can work to bring production costs down. As a result, ceramics/new materials will remain costly and exotic in the US and Europe, while a large number of Japanese companies will have established applications, unique experience and cost-efficient production.

Robots and factory automation are other areas of tremendous Japanese potential (see graph). Already, the Japanese are experimenting with the use of robots in hazardous construction sites such as nuclear plants and underwater locations.

But even in Japan's oldest industries, like steel, the authors are anxious to point out that R&D spending is continuing at a rapid pace. Japan's steel industry, it states, is reluctant to "roll over and play dead," despite its heavy losses and steady announcements of redundancies. It "is likely to survive as the most competent and advanced materials-processing industry in the world," the booklet predicts.

The authors repeatedly stress that almost all of Japan's research is applied, rather



than basic. And in many established fields, such as consumer electronics, Japan is still buying more technology from overseas than it is selling. In 1984, for example, Japan imported 3.8 times the amount of technology it exported to West Germany and 2.5 times the amount to the US.

Also, the BCCJ explains, 47 per cent of Japanese university research is described as either applied or development research. For Britain, the figure is only 5 per cent.

"We (Britain) cannot match the Japanese effort in scale... but we can learn from them, particularly by concentrating on important programmes. We should consider participation where we can in Japanese projects which have important industrial consequences."

The Japanese, through their commitment to research and development, are likely to continue the success they have enjoyed over the past 20 or 25 years," the BCCJ concludes.

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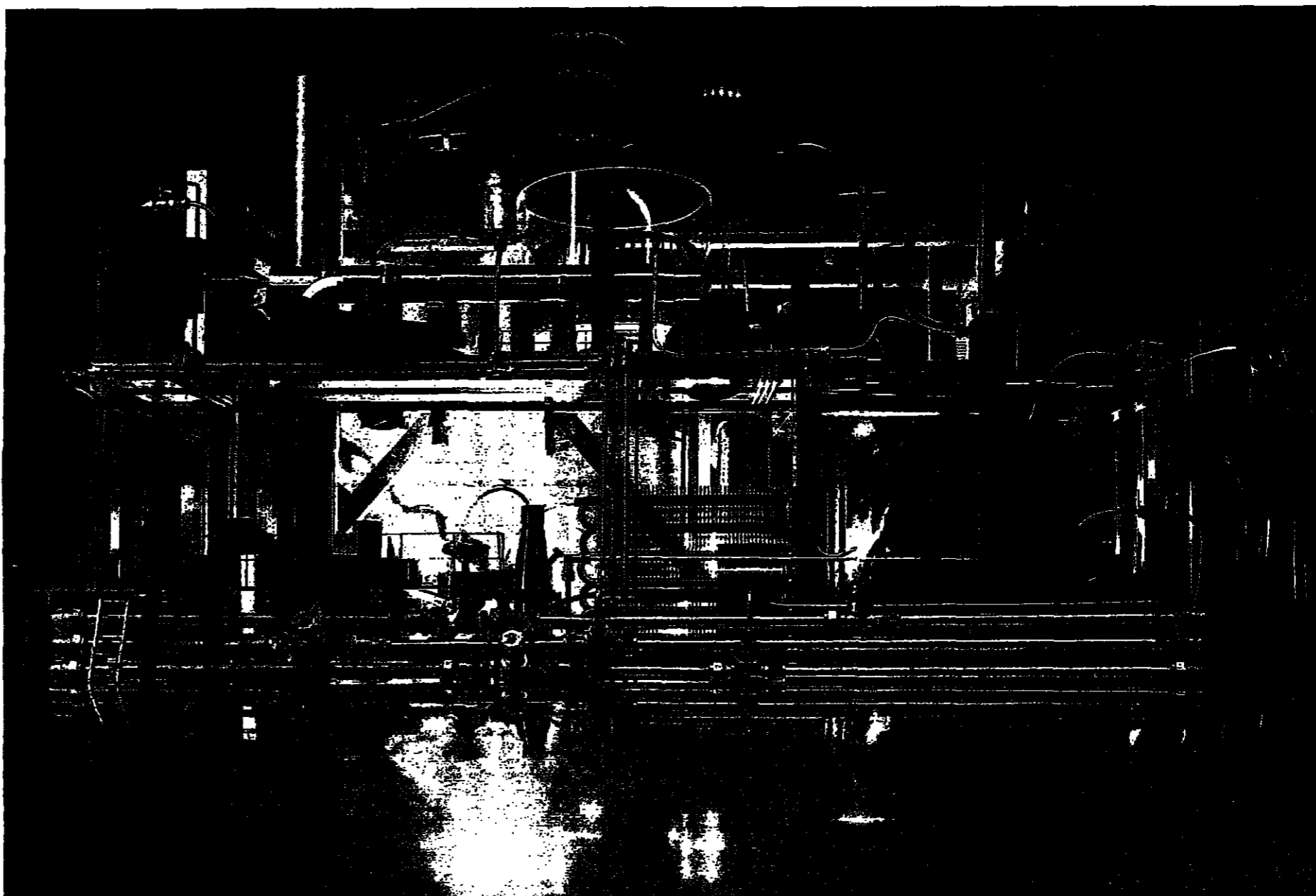
## Route to venture capital in N. America

By Geoffrey Charlish

BUDDING TECHNOLOGY entrepreneurs looking for sources of funds might be interested in a listing of 769 companies in the US and Canada that offer venture capital.

Published by the Oryx Press in Phoenix, Arizona, *Fratt's Guide to Venture Capital Sources*, 11th edition, includes detailed information on key personnel, minimum and preferred investments amounts, industry and project preferences and the types of financing offered.

Also included are 150 pages of articles by leading venture capitalists, successful entrepreneurs and other financial experts. The price is \$95 in the US.



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## Words of command from Siemens and Philips

BY GEOFFREY CHARLISH

SIEMENS OF Germany and Philips of The Netherlands, co-operating with the Institute for Perception Research in Eindhoven, are developing a speech recognition technique that will enable a user to ask questions and give commands to computer controlled systems in offices and factories.

The recognition process uses a combination of "templates" (in which sounds known to the system are matched with incoming speech) and language "intelligence" which allows meaning to be determined. Then,

the computer can interrogate a data-base and generate a reply.

For example, in a word processor office system, a secretary might ask for "Mr Smith's letters" and then see on the screen all of his correspondence for the past month. The system has to be taught to recognise the user's voice (this takes about five minutes) and at the moment cannot carry out interactive dialogue with the user. It is currently about 90 per cent accurate.

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MR JACQUES MAISONROUGE has still not found time to hang his favourite picture on the bare walls of his office in the French industry ministry. The first manager from the private sector to take over the ministry's top civil servant job, he has spent six months working on a radical reorganisation and sending off critics of his controversial appointment.

"I suppose I'm an imprudent man and that's why I accepted the job," says Mr Maisonrouge, an engineer who spent 38 years climbing the corporate ladder at IBM—he eventually became the first Frenchman on the company's board.

But he comes to joke when he discusses the state of French industry. "In the last 20 years, I have always thought that one of the weaknesses of the French system was the lack of adequate exchanges between government, universities, civil service and the private sector. The movement has always gone in one direction, with civil servants going into the private sector but never the other way round."

"That is not the case in the US where there is a far greater interchange between academia, the civil service and private business," he says. Although his appointment, as director general of l'Industrie, has been welcomed by some industrialists, it has been greeted coolly by some members of the political establishment and the press. "These criticisms reflect the fear of some politicians and the media about bringing into the industry ministry someone closely associated with American business, who risked perhaps to be too heavily influenced by his American and international background," he suggests.

"When my appointment was being debated in Parliament, some deputies shouted 'Maisonrouge', the 62-year-old blonde, who recalls with a chuckle that he did not seem to understand that you can work for a foreign-based company and remain a patriot."

"My desire to work for France is not new. Back in 1978, when I was working for IBM, I suggested the creation of an organisation to promote French industry and technology abroad."

Strong feeling over Mr Maisonrouge's appointment has been encapsulated by one French business journalist who said: "It's a bit like Mrs Thatcher asking a Japanese car executive to take charge of the

## Touch of blue from Mr Maisonrouge

UK motor industry." Le Monde complained recently that he was little more than a liberal glumstick for the conservative government.

Mr Maisonrouge appears to have taken all this in his stride and he has avoided becoming involved in issues which threatened to fuel debate over his appointment. For example, he steered clear of comment about the recent deal between the French state Bull computer group and Honeywell. What over I would have said about the deal would have immediately led to suggestions that I was only saying it because I was a former IBM man."

Instead, he has concentrated on the main brief entrusted to him by the French industry minister, Mr Alain Madelin, an

favourable legislative and fiscal environment, rather than looking only at companies in deep trouble and helping them on a case by case basis," explains Mr Maisonrouge.

The government has already reduced corporate taxes by 5 per cent which he says is the equivalent of granting FFr 11bn (£1.1bn) a year to industry. He sees this support as more significant than if the Government had handed out the same amount to 10 companies.

But internal policy questions do not only involve corporate taxes. "One big issue in France is the succession problem of many companies. The French system of inheritance taxes often forces people to sell their companies," the

already 400 in the US. "One thing was obvious from the start. Management was something that could be taught and Europeans up to then thought management had to be learned on the job."

However, he has perceived a change on that front. "France has been managed for too long by engineers," he says "but the management gap has nonetheless been considerably reduced during the past few years. In the recent reorganisation of Rhone-Poulenc, for example, there were three MBAs among the top managers."

And he is looking for a similar opening of minds on foreign trade and contact. He would like to see French industry make greater use of large international trading companies

### Paul Betts on the controversial new man at the top of the French industry ministry

ardent advocate of free market policies, to reorganise the ministry into what Mr Madelin and Mr Maisonrouge call "the ministry of competitiveness."

One of the goals is to foster what Mr Maisonrouge dubs "the Grenelle Consulting Group," referring to the management consultancy location of his department, based in the Rue de Grenelle in the 7th arrondissement of Paris. "Our role is to try to make French industry more competitive and we want to use our resources to promote new methods of technology and help companies to penetrate the US and Japanese markets."

The drive towards competitiveness has brought both an increasingly international approach to industrial policy and a scrutiny of the domestic business climate. "We believe it is crucial to improve the whole of French industry, large and small, by providing a more

Government, he says, is working on a reform of death duties, which is expected to be put before Parliament during the spring session.

Another priority is to encourage innovation and the transfer of technology—55 per cent of research and development is done in national laboratories and universities. "Our job is to make sure small and medium-sized enterprises benefit. . . . One of the problems in France is that there is good invention potential, a lot of good ideas, but when it comes to transferring these to the productive sector there is a hiatus."

One of his long-time hobbies is management training. "Back in 1967 I was shocked by the idea, which was spreading at the time, that the problem was that Europe suffered a technological gap. The true gap was not a technological one but a management gap." Twenty years ago there were perhaps only 10-15 business schools in Europe while there were

and opening up its boards to more executives from abroad. "A weakness in France is that even in big companies, with extensive foreign operations accounting for a larger part of their gross income than their domestic business, there are very few senior foreign executives."

But as well as trying to instil new, forward-looking practices, Mr Maisonrouge must also concern himself with historical difficulties—government intervention is an old problem in France. He sees it as partly the legacy of the two World Wars, which required in their wake heavy economic reconstruction in France.

That in turn led to wholesale nationalisations, which the Chirac government is starting to reverse. "You cannot ask the state to be the major shareholder and not exercise a degree of control. This constitutes one of the major penalties of nationalisation. With privatis-

ation you change the whole picture," he says.

Despite his free market instincts, Mr Maisonrouge acknowledges that France must tread carefully in some key areas of industrial policy. During the last few months, there has been increasing activity on the takeover front. "There is clearly a limit to this," he says, quickly adding: "I wish that there were lots of French de Benedettis," referring to the Italian entrepreneur who has been particularly active on the French takeover scene.

But for Mr Maisonrouge, the fundamental challenge for France is the much broader question of "finding growth again." Between 1981-85 we have had very, very low growth in industrial production. Last year was a bit better with a little over 2 per cent in GDP growth. Now it is sometimes dangerous to set too high an objective, but if you have no growth you have no reduction in unemployment."

Talk of how to stimulate growth brings him back to the need for competitive industry. "You can get internal growth by having products which are good enough to encourage people to buy them rather than increasing imports, so you have to make sure that your products are competitive. And I think that even at the present exchange rates we can do it."

In export markets, crucial to France's economic health, he urges companies to become more conscious of the need to market well. "You don't get contracts by making one visit and coming back home. You have to be there. . . . France is not behind technologically. We are behind from a marketing point of view."

As well as having plenty of ideas, Mr Maisonrouge relishes the task of disseminating them. "My average during the last 10 years has been to give 56 speeches a year. I believe business people don't participate enough in communications and I think the duty of a chief executive or his second guy is to explain themselves."

He says he will never forget going to Armonk in 1981 to join the management committee of IBM and reviewing the activities of the communications department. It was in practice, "the non-communicative department and we had to change that. You know the most common phrase was 'no comment'."



Ashley Ashwood

CT BOWRING REINSURANCE LTD v BAXTER (Commercial Court): Mr Justice Hirst, March 19 1987

**PREMIUMS PAID** under a loss of hire reinsurance policy incorporating the ABS (1985 454) wording, are returnable to the reinsured if paid in administrative error after a casualty resulting in constructive total loss.

Mr Justice Hirst so held when giving judgment for the plaintiff reinsurer, CT Bowring Reinsurance Ltd, on a preliminary point in their action for return of premium against reinsurer, Mr Michael Robert Baxter, sued on his own behalf and as representative of the 1985 members of Lloyd's syndicate No 488.

HIS LORDSHIP said that the shipowners chartered the M Vatan and the M Ceyhan to the National Iranian Tanker Company for the purpose of operating a shuttle service between Kharg Island and Sirri Island in the Persian Gulf.

The vessels were struck and seriously damaged by air-fired

### FT LAW REPORTS

## Reinsurers to return loss of hire premium

execut missile attack. Both were insured on hull and war risk policies and war risk loss of hire policies. The insurer was a Turkish company which was reinsured with Lloyd's and company underwriters in London.

The loss of hire reinsurance brokers brought the present action as agents of the shipowners, who were assignees of the insurer's right of action against the reinsurers.

Both charterparties were on the amended Shelltime 3 form and were identical. The reinsurance slip was subscribed in April 1985, and was amended on June 17 to provide that the premium should be payable monthly. The policy incorporated the ABS (American Bureau of Shipping) wording (LPO 454).

Clause 10 of the ABS wording provided: "In the event of the

vessel . . . being sold or unchartered, other than by reason of total or constructive total loss, this insurance is automatically cancelled. In such event underwriters agree to return pro rata net monthly premium . . . in no other event shall there be any return of premium (except as provided under clause 14.3 below)."

Clause 14.1 provided: "Cover hereunder in respect of the risks of war, etc may be cancelled by either the underwriters of the assured giving seven days notice. . . ."

Clause 14.3 provided: "In the event either of cancellation by notice or automatic termination of this insurance by reason of the operation of this clause 14, pro rata net return of premium shall be payable to the assured." The war risks hull reinsurers agreed that the vessels be settled as constructive total

losses. On July 19 the brokers gave notice to the loss of hire reinsurers purporting to cancel the loss of hire reinsurance, pursuant to clause 14.1 of the ABS wording.

After the notice had taken effect a further payment of premium was made amounting to \$791,620.

The brokers' case was that the payment was made as a result of administrative error. The preliminary issue was whether on the true construction of the reinsurance policy the assured was entitled to return of premium, and if so, in what amount.

Mr Mance for the brokers submitted that as a matter of construction the loss of hire insurers had an unfettered right to cancel the policy by notice under clause 14.1, and that it followed they were entitled to a return of premium.

Mr Steel for the reinsurers submitted that return of premium was excluded by clauses 10 and 14 in combination. In the alternative, he contended that the casualties had frustrated the charterparties so there was no longer any continuing risk and nothing to cancel, thus rendering the notices to cancel nullities.

He relied on the general common law principle laid down in *Tyrie v Fletcher* (1777) 2 Cow 666, 668 where Lord Mansfield said "if an entire risk has once commenced, there shall be no apportionment or return of premium afterwards."

Reliance on *Tyrie's* case did not carry the argument very far, since the question was whether the clauses established an exception to the common law rule and brought into play the provisions for return of premium under section 83 of the Marine Insurance Act 1906.

Section 83 provided that "Where the policy contains a stipulation for the return of the premium, or a proportionate part thereof, on the happening of a certain event, and that event happens, the premium, or a proportionate part thereof, is thereupon returnable to the assured."

The express exclusion of constructive total loss from clause 10 coupled with the provision that the clause should prevail notwithstanding other provisions, also carried very little weight, seeing that clause 10 equally excepted clause 14.3 from the embargo on any other events resulting in a return of premium.

So far as clause 14.1 was concerned, it seemed to give each party a completely general and unfettered right to cancel on appropriate notice. It followed that a pro-rata return of premium under clause 14.3 was due on any cancellation by notice under clause 14.1.

Mr Steel's other argument was that even if clause 10 preserved clause 14.3 in a constructive total loss situation, there

was no continuing risk in the loss of hire context, and therefore nothing to cancel, the cancel, the policy being effectively at an end.

He relied particularly on *Gorsedd Steamship Co (1900) 6 Comm Cas 413* where Mr Justice Bingham said "the risk no longer exists after the ship is lost."

The argument was unconvinc-

ing. Clause 14.1 permitted either party to cancel "cover hereunder." That seemed to give the owner an absolutely unfettered right to cancel the cover granted by the policy whether or not the risk still technically continued.

Quite apart from the construction point, cover was not necessarily tied to continuing risk, since an assured could and

often did, take out insurance to cover a situation where there was no certainty that he would be exposed to risk.

*Gorsedd* was dealing with the construction of the words in the particular policy under consideration, which was an entirely different context and of no assistance in the present case.

Mr Steel submitted that if the hull policy was exhausted by reason of total loss, it must follow that there was no ongoing risk under the associated loss of hire policy. He said the shipowners must be treated as having received the full value of their ship inclu-

sive of future earning power. That was basically unsound, since the loss of hire policy was completely independent of the hull policy, and the fruits of any valid claim thereunder clearly belonged to the owner and not to hull underwriters.

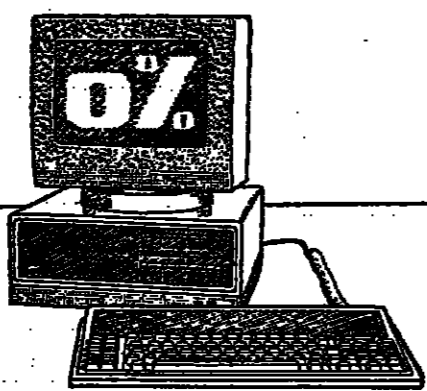
The preliminary issue was disposed of in favour of the plaintiff brokers.

For the brokers: *Johathan Mance QC* and *Stephen Rattle (Tice & Co)*.

For the reinsurers: *David Steel QC* and *Jonathan Gilman (Holman Fenwick & Wilton)*.

By *Rachel Davies* Barrister

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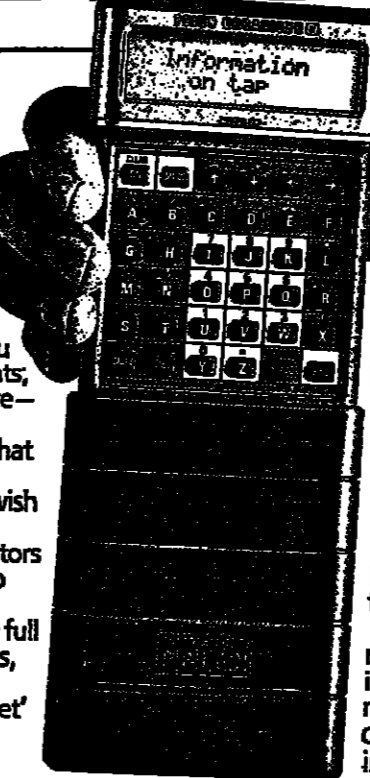
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# No safe short cuts in writing applications

BY MICHAEL DIXON

READERS about to apply in writing for a job might do well to try the following exercise. It could prove useful not only to those penning a job application for the first time in years or after a solid series of rejections, but to anyone inclined to believe the task is easy.

The exercise is to write a precise description of how a pair of scissors cuts a piece of cloth or whatever. The description must be no more than 200 words long. It must also be capable of being understood without ambiguity by a person who, as well as never having used a pair of scissors, does not know the distinction between words such as "chop" and "shear," and is too busy to go and consult a dictionary.

There is no need to go on trying until you have satisfied those conditions perfectly. All you have to do is to attempt and fail the exercise often enough to convince yourself that, when your only tools of communication are dry words on paper, it takes a lot of brain-cudgelling work to produce a brief and clear account of even a simple operation.

As a result, if I'm to believe the comments of many people who work in recruitment, you should have learned a lesson which remains unknown to the great majority of applicants. It is that still greater thought and effort are required to convey an understanding of your suit-

ability for a job into the mind of a complete stranger.

Regardless of what the candidate does, of course, no application can be guaranteed to win an interview. Since there is no such thing as one-way communication, the most thoughtfully written letter is apt to fall foul of prejudices projected on to it by the reader — and the prejudices of recruiters are almost infinitely many and varied.

Even so, job-seekers can only gain by doing everything that can be done on their side to make the communication effective. For by taking pains to show that their particular attributes fit the particular job on offer, they at least ensure themselves of the best chance of winning an interview.

Unless candidate's approaches are specifically tailored in that way, the process of applying is inevitably very much a lottery. It is true that more standardised types of application can be made to look highly attractive, especially if they have been prepared and produced professionally by a careers-counselling consultancy or the like. But they still have little more than a 50/50 chance of surviving a cursory first reading, according to a recent survey by headhunter John Courts of employers' opinions of job applications which can be identified as the work of

someone other than the individual supposedly sending them.

It turned out that although such applications were positively favoured by 8 per cent of the employers and a further 45 per cent had no objection to them, they were actively disliked by the other 47. Moreover the opposing faction emphasised their hostility with comments like: "they give the impression of weakness in the candidate" and "presentation is too stereotyped, fails to reflect the individual's own style and may show a lack of initiative."

In the circumstances, Mr Courts says, there is little point in arguing whether the hostile attitudes are right or wrong. What matters is that those attitudes exist, and as long as they do go applications of that kind have a high risk of going straight into the waste bin.

## IT consultancy

NOW to a job in France which is being offered by recruiter Tim Entwistle of the Tanstead Associates consultancy on behalf of a company he may not name. Accordingly, like the other headhunters to be mentioned later, he promises to abide by any applicant's request not to be identified to the employer at this stage of the proceedings.

What Mr Entwistle can say is that his client is a US-based management consultancy with expanding interests in advising organisations, particularly the big international sort, on business applications of information-handling technology. The company first began operating in Europe some 13 years ago and has offices in London in addition to Paris where it is now seeking a second in command to the branch's chief executive.

Whoever gets the job will of course have to be up-to-date with the technicalities of information processing. But the prime requirement is the ability to understand and be understood by the business chiefs of organisations as well as to work closely with their senior IT specialists.

So there is an indispensable need for highly developed all-round skills of verbal and written communication, in French and English as a minimum and preferably in German too. There is also a preference for holders of a recognised formal qualification in one if not more of computing, finance, marketing and business administration.

Provided candidates have first-hand knowledge of the changing wants of big organisations, they could come from a variety of backgrounds. They might currently work for a large company as general mana-

gers, strategic planners or developers of information-handling systems. They might equally be senior consultants with leading specialist software or hardware businesses.

Tim Entwistle says the salary will be the equivalent of about £50,000, with other benefits negotiable.

Inquiries to him at West End House, 11 Hills Place, London W1R 2AS; telephone 01-439 1881.

## Insurance

NEXT to a clutch of London-based insurance firms being sought by headhunter Christopher Dickman for the Lloyd's broker subsidiary of a medium-sized UK-owned group. The company is apparently at present undergoing a thorough shake-up with a view to large-scale expansion. So it is perhaps not altogether surprising that the top job on offer is for nothing less than a chief executive.

If candidates have not already achieved recognised success at the same level, they should at least be demonstrably proficient as a second-in-command. Salary indicator £250,000-plus with perks including bonus and car.

A further opening is for a claims director at a salary of around £80,000. A third, which carries a salary of £5,000 or so less, is for someone to direct the subsidiary's business in

all-risks insurance for contracting companies. In each case applicants should have a successful record in similar work at a comparable level. And in both of these jobs, too, the fringe benefits include a bonus and a car.

Inquiries to Insurance Career Consultants at 8 Lloyd's Avenue, London EC3N 3ES; tel 01-481 8338. Mr Dickman will be on holiday until Monday, but since Jobs column readers are inclined to be impatient in such matters, his colleague Tony Owens has agreed to stand in for him meanwhile.

## Scotland

THE LAST post today, which is being offered by recruiter Graham Walker of the Anthony Newell International consultancy, is for a finance director based in the west of Scotland. The employer is a company with wide ranging activities in precision engineering which belongs to a £20m-turnover British group.

Candidates should be qualified accountants with time management experience in a comparable business and knowledge of export development. Salary about £30,000 with car among perks.

Inquiries to 69 Midton Road, Ayr, Scotland KA7 2TW; tel 0292 287969, telex 858902 Baron G.

# Evaluate Analyse Select

Modern portfolio theories are gaining credibility amongst an increasing number of investing institutions. Passive management of some funds is an idea that actuaries are recommending and trustees beginning to accept.

To support the managers of funds with an in-depth content, any client, a British house with European backing, is interested in talking to investment analysts with at least 2 years' experience of the UK market or its sectors. The product here also includes actively managed funds and they require at least two analysts to complement their team.

Respondents, preferably with an economics or related degree, must be prepared to become involved with some marketing and liaison tasks in addition to normal secondary — and a little fundamental — research. An ability to speak French will be an added advantage.

For more information on these appointments, please contact Charles Ritchie or Timothy R. Wilkes at Michael Page City, 39-41 Parker Street, London WC2B 5LH or telephone 01-404 5751.



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The successful applicant will be ambitious to develop his or her skills further in a new market within a small, friendly and professional team with excellent growth prospects. The remuneration package, dependent upon experience and ability, will include a high basic salary, bonus, car and other benefits, and should attract individuals of the highest calibre.

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Telephone 01-251 3333



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Rodney Margate,  
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3 Athol Street,  
Douglas, Isle of Man.

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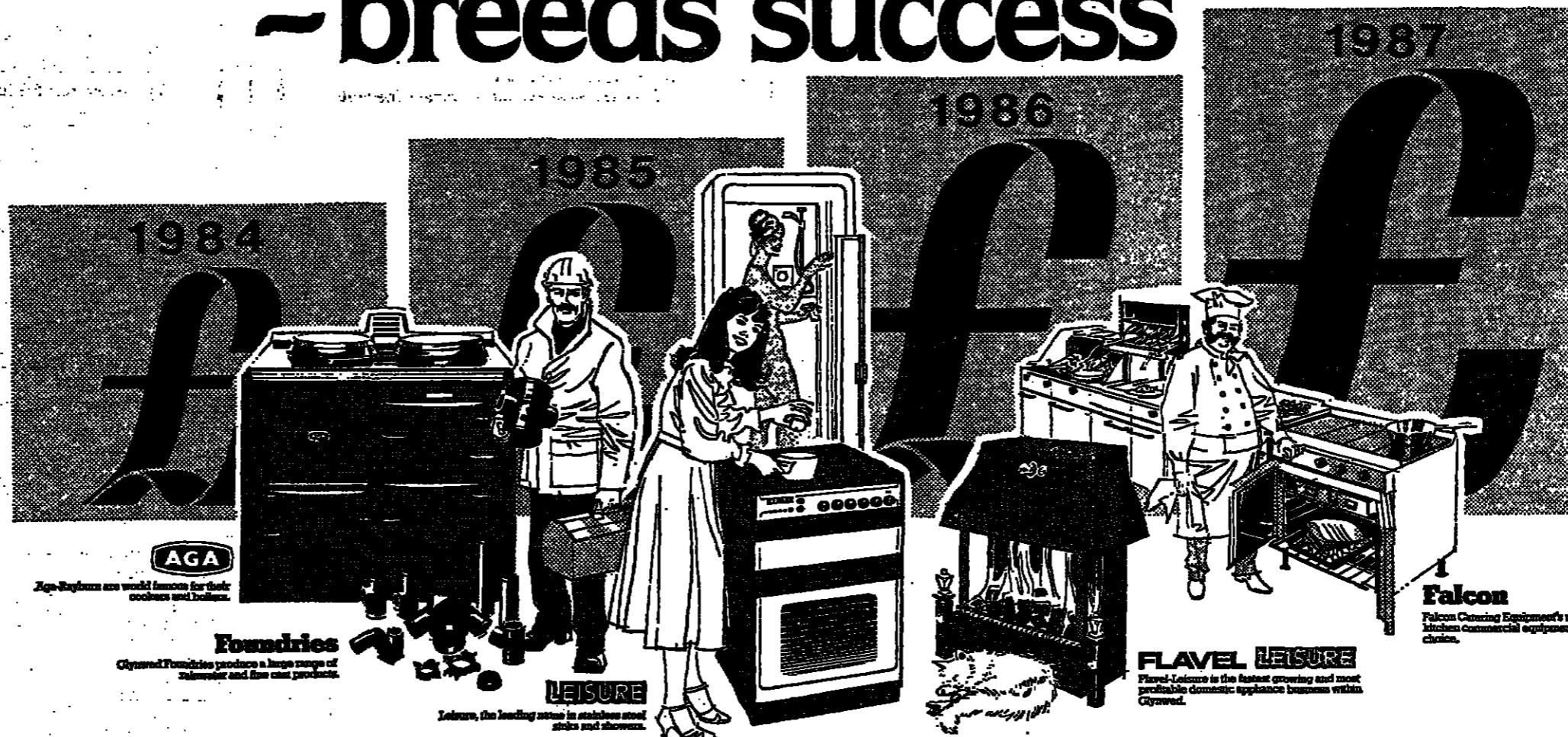
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Few British Companies can match the outstanding financial performance of Glynwed International plc where profit growth has exceeded 80% for each of the last 5 years.

Even fewer British engineering and manufacturing businesses can match Glynwed's consistent ability to produce consumer products that continue to dominate their markets at the same time as maintaining realistic profit margins.

A successful Division within Glynwed is Consumer and Building Products, whose own high performance mirrors that of the Group. The Division is now poised to expand its business activities which include famous household names such as - Flavel, Leisure, Aga, Rayburn, Glynwed Foundries and Falcon Catering Equipment.

As part of our expansion programme we are now seeking to add successful business managers to our established senior management team. Senior Managers who can immediately contribute to our forward thinking policies and business targets as well as play an important role in the future direction and production of the next chapter of our success story.

Our Kitchen/Consumer orientated businesses are located in various areas of the UK so that those appointed could operate from a choice of locations in the Midlands.

## MANAGING DIRECTOR

Consumer Products  
This is a Divisional board appointment with responsibility for the Chairmanship of the management boards of Flavel-Leisure, Aga-Rayburn & Leisure, which collectively have a turnover in excess of £50m p.a., and 1,500 employees at three locations.

The setting and achievement of an agreed business plan for each of the businesses is a key element of the job as is the increased penetration of and/or acquisition. Also the development of new products and the introduction of improved manufacturing technology.

Candidates must have successful general management experience of a £20m+ operation, extensive experience in the finished goods sector and a good product, process and market development record. Ref: 1

## DEVELOPMENT DIRECTOR

Consumer Products  
To be responsible for our major RD centre in Solihull, West Midlands and, in conjunction with the Managing Directors and Senior Management of the operating businesses, all on-site product and process development facilities.

The overriding priorities are ensuring a

constant flow of new products of the highest design standard to meet the demands of the consumer market. Also that the most cost effective and efficient production processes are employed and maintained in all areas of manufacture.

The successful candidate will be supported by an experienced team of CAD/CAM, computer, quality and development managers, a staff of 80 and control a budget in excess of £2m p.a.

Applicants, ideally in the 40+ age range must have been responsible for an RD budget exceeding £1m p.a., a proven record in product and process development and relevant experience in the domestic appliance industry. Ref: 2

## MARKETING DIRECTOR

Consumer Products  
This is a new key post carrying responsibility for developing and implementing a comprehensive marketing strategy for the three consumer durable orientated businesses within the Division. Flavel-Leisure, Aga-Rayburn and Leisure.

Operating in conjunction with the Consumer Products Development Department and the individual businesses' sales, marketing and manufacturing functions, the person appointed will be expected to make a significant impact on, and contribution to, overall growth and profitability.

Candidates should have extensive product development experience gained in the consumer durable market and have made a substantial personal contribution at strategic level. Ref: 3

There are also opportunities in two of our other businesses.

## MANAGING DIRECTOR

Glynwed Foundries  
To lead a multi-site operation based at Ketterly, Shropshire producing cast iron drainage materials and municipal castings. Prime duties will involve increasing market share, enhancing product image and completing important investment programmes.

Applicants should have general management experience gained within a £20m+ business in or related to the cast iron foundry sector plus substantial product, process and marketing knowledge. Ref: 4

## MANAGING DIRECTOR

Falcon Catering Equipment - Scotland

To expand the business, based near Falkirk, by organic growth/acquisition etc., whilst maintaining current profitability. Also to ensure product design/development meets market demands. Applicants with general management experience gained in a £2m+ company must possess extensive knowledge of finished engineering/metal goods and a relevant record in business development. Ref: 5

Remuneration and benefits package is designed to attract, motivate and retain those with ability and commitment. Those joining us in senior positions will find that their rewards, which can be substantial, are geared to performance and will increase considerably as the business they manage continues to grow successfully.

To apply - We appreciate that as a busy manager your time is limited, we have therefore prepared this "quick response facility".

We also realise that to consider a move at this important stage of your career you would require by return comprehensive details about the Company, the products and our management team.

Apply in the strictest confidence to Hugh McCredie on 021-742 2386, or complete the "quick response facility" and send to Glynwed Group Services Ltd, Headland House, New Coventry Road, Birmingham B26 3RL. Please open to call or write.

## QUICK RESPONSE FACILITY

Please send me comprehensive appointment details and application pack.

Ref: 1 ☐ Ref: 2 ☐ Ref: 3 ☐ Ref: 4 ☐ Ref: 5 ☐

Please tick appropriate box(es)

Name

Address



Glynwed Consumer & Building Products Ltd

# Big Bang?

Has your firm given up the race?  
Wouldn't you rather work in a company with the resources and commitment to stay with it?  
Does the challenge of carving out a whole new market segment with the backing of one of the world's largest securities houses appeal to you?  
Could you hold down a place on a dynamic new team selling the world's most exciting equities into the UK market?  
If the answer to all these questions is "YES", don't waste valuable time. Ring Gordon Stevenson or Lesley Judges today on 01-248 8080 — and rediscover the magic of the market.

## DAIWA EUROPE LIMITED

Condor House  
14 St. Paul's Churchyard  
London EC4M 8BD

Newly formed Treasury Unit ...  
an unusual opportunity for a

## SENIOR TRADER/ FINANCIAL ENGINEER

Kensington £25-35,000 + car

Our client is Citibank — one of the world's largest banks, with a dominant presence in all major markets.

Within the Consumer Services Group, EMEA Division, a new Treasury unit is now being established and a Senior Trader is required. Reporting to the Chief Trader, the person appointed will have responsibility for mobilisation and redistribution of multi billion dollar funds across a wide range of currencies and instruments.

As a candidate for this role, you should have several years' practical experience in Foreign Exchange/Money Market dealing, familiarity with securities and

off-balance sheet products, and the desire to direct these skills towards financial engineering and effective fund management. If you would prefer to develop your career within a prime institution, yet outside the pressurised, target-driven environment of the typical large dealing room, you will find this an unusual and highly attractive opportunity.

The division's regional office is based in Kensington. Whilst this working environment presents a refreshing contrast to the City, the remuneration offered (including basic salary, bonus, and comprehensive benefits) will be in line with best City practice.

In the first instance, please contact Joanna Davies in confidence.  
Telephone 01-606 1706, or write to her at Executive Division,  
Anderson, Squires Ltd, 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists

Anderson, Squires

## Assistant Fund Manager

Gilts and US Dollar Fixed Interest

Wellington Underwriting Agencies Limited is a leading Lloyd's Managing Agency with over £300m under management principally in the UK and US fixed interest markets.  
The Company is seeking an Assistant Fund Manager who will work closely with the Group Treasurer in the formulation and implementation of the investment policy. The position offers an exciting challenge to applicants with experience in fixed interest markets.  
An attractive salary and benefit package will be offered reflecting the achievements of the individual and the responsibility of the position.

Please send full career details, in confidence, to:  
Miss K. R. Smith, Wellington Underwriting Agencies Ltd.,  
120 Fenchurch Street, London EC3A 5BA

**.Wellington.**  
UNDERWRITING AGENCIES  
LIMITED

## MARKETING £27k + CAR

Expanding credit/marketing area require an account officer to market UK and international corporates. Previous proven ability within this area is essential.

## ECP SALES £22K +

Two major international banks require additions to their ECP Sales area. Previous sales experience in US Dollar and Sterling paper essential.

Telephone 01-438 5286

11 Blomfield Street  
London EC2M 7AY

## Corporate Marketing Shipping Finance

One of the major US banks is currently expanding its specialist shipping group. This has created an opportunity for an experienced corporate banker who will be responsible for developing new business and maintaining existing accounts in a number of European centres. Working within a small but successful team, the role includes full responsibility for assessing, pricing and structuring proposals.  
With a minimum of two years' marketing experience you will have strong credit/analytical skills and a thorough knowledge of the shipping industry, with the ability to apply investment banking techniques in such areas as asset origination/sale and advisory work. Fluency in French and/or Greek would be a major advantage.  
Interested applicants should contact Christopher Smith on 01-404 5751 or write to him at Michael Page City 39-41 Parker Street, London WC2 5LH quoting reference 3737.



Michael Page City  
International Recruitment Consultants - London Brussels New York Paris Sydney  
A member of Addison Consultancy Group PLC

## SALES/MARKETING MANAGER

c 15K + Car & Expenses

Large established Midlands Jewellery Manufacturer, wishes to expand still further and requires a person with detailed knowledge and experience of the jewellery trade with particular attention to mail order connections. Expansion is the key note whilst maintaining existing clientele.

Commission structure to be agreed.

Please send full details to:

Arnold Conroy  
Conroy, Tobin

7 Staple Inn, Holborn Bars  
London WC1V 7QN

Quoting reference AC/03101/Staff.

PHILLIPS & DREW FUND MANAGEMENT LIMITED

## Administration Assistant

Phillips & Drew Fund Management, one of the largest fund management organisations in the UK, is seeking an experienced person to assist the Administration Manager.

You will have a good knowledge of the securities industry and have experience in Investment Administration, preferably with pension funds. Some knowledge of pension fund tax would be useful. You should be able to communicate with clients and management at all levels and should have experience of delegating work to junior staff.

Your duties will include establishing and maintaining systems, monitoring of opening and closing of client accounts and providing cover and support for the Administration Manager who deals with all aspects of office management.

You will be rewarded with an excellent compensation package which includes a company profit-sharing bonus, mortgage subsidy, pension scheme, free life assurance and free BUPA.

Please write, enclosing full curriculum vitae to:

Sally Wallday,  
Recruitment Officer,  
Phillips & Drew,  
120 Moorgate, London EC2M 6XP

PHILLIPS & DREW

## GRADUATED IN THE LAST 2 YEARS? LOOKING FOR A FAST TRACK CAREER IN THE INTERNATIONAL CAPITAL MARKETS?

Sumitomo Finance International, the fast-growing international capital markets arm of The Sumitomo Bank, Limited of Japan has a number of vacancies for highly motivated graduates who would like to develop their career in one of the following areas:-

- |                                      |  |
|--------------------------------------|--|
| (i) Eurobond Sales                   | —(total fluency in one or more European languages required)            |
| (ii) Swap Dealing                    | —(a highly numerate degree discipline such as maths or stats required) |
| (iii) Eurobond Dealing               | —(economics, business finance or numerate degree background required)  |
| (iv) New Issue Marketing/Syndication | —(M.B.A. or equivalent)  |

You must hold at least a II(ii) honours degree and have a lively, outgoing personality. Successful applicants can expect early responsibility, excellent on-the-job training and rapid career development combined with a fully competitive salary and benefits package. Interested applicants should write in the first instance enclosing detailed CV explaining why they might be suited to a career in the eurobond market to:-

Mrs Fiona Williams  
Personnel Officer  
SUMITOMO FINANCE INTERNATIONAL  
107 Cheapside, London EC2V 6DZ

## Investment Management City up to £25,000

A large Christian organisation wishes to fill the post of Assistant Investment Manager to manage unit funds, fixed interest and equities. Total funds under management are in excess of £200M. The operation is strongly performance-orientated and is directed by young vigorous management. Candidates, probably aged 28-35, should have worked in fund management and be practising Christians of any denomination.

Please apply to Sir Timothy Hoare, Career Plan Ltd, Chichester House, Chichester Rents, Chancery Lane, London, WC2A 1EG. Tel: 01-242 5775.

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## Management Personnel

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BOND DEALING FUND MANAGEMENT  
SENIOR SETTLEMENTS INVESTMENT RESEARCH

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Thinking of making a Career Move?  
To discuss the options contact Susan Milford,  
Manager-Financial Appointments

TELEPHONE: 01-256 5041 (out of hours 0483 57480)



10 Finsbury Square, LONDON EC2A 1AD.

## PORTMAN BANKING CAREERS

**FINANCIAL FUTURES DEALER** £30,000  
The expanding dealing room of this leading international bank seeks an experienced dealer with knowledge of FX/Money Market activities and some Futures trading. In addition you will be required to analyse the feasibility of trading new instruments. Previous training or trading experience in Chicago would be an advantage.

**BOND INVESTMENT OFFICER** £20,000  
This senior position presents an interesting opening for a graduate banker with a thorough knowledge of bond investments. Experience of either Fixed Rate or FRIs is required. Candidates should possess good analytical and communication skills in order to take responsibility for monthly analysis of the market and make recommendations accordingly.

**ASSET SWAPS** £ neg  
A challenging opportunity has arisen within this major international bank for a graduate banker with experience of SWAPS and associated markets. Based within a small team, your main responsibilities will be the development of new SWAP products as well as monitoring and increasing existing business. This demanding position offers excellent career prospects to candidates who are self-starters with good inter-personal skills.

For further details please contact:  
Gaynor Harris or Alison Brown on 01-236 1113  
or write to:  
13/14 Great St Thomas Apostle, London EC4V 2BB

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As one of the world's largest and most successful fine art auctioneers, Phillips, with a turnover of £62 million per annum, will conduct over 1300 auctions in 1987.  
Prior to the retirement of our present Administrative Director, we wish to appoint a person suitable to head our administrative functions.  
He/she should ideally be a Chartered Accountant or Chartered Secretary aged 28-40 with detailed computer knowledge and live within easy reach of New Bond Street. Fine leadership qualities are essential as is a willingness to work long hours from time to time. Please write in complete confidence, with full CV and details of salary required to Christopher J. Weston, Chairman and Chief Executive, indicating how you feel you can fulfil this important role.

7 Blenheim St, New Bond St, London W1Y 0AS. Tel: 01-629 6602  
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Eighteen offices throughout the United Kingdom.  
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## HEAD OF INFORMATION SERVICES

We are one of the largest firms of City solicitors, with 71 partners and a staff of over 750. Our central information services have the essential task of collecting and disseminating, for the benefit of our own lawyers and our clients, the legal and other material which is vital to our function.

These services are already well established but the continuing expansion of the firm, the rapid development of the law and the speed of change in information technology require us to re-assess our approach and develop new systems for the future.

We are now making a new appointment to take charge of all these services. The job requires a qualified lawyer

with practical experience, especially in the commercial field and very probably in a large law firm.

The work will involve a keen awareness of the needs of our lawyers and therefore extensive liaison with them, as well as with the rest of our technical support team.

This new position is senior and important; its scope depends considerably on the energy and initiative of the person appointed.

The salary and benefits will be attractive, and full administrative and secretarial support will be given.

If you are interested in this appointment, please send a full curriculum vitae quoting Ref: PMJ3 to:

Peter Morley-Jacob  
Slaughter and May, 35 Basinghall Street, London EC2V 5DB

SLAUGHTER AND MAY

## EQUITY MARKET MAKERS

### SALES and TRADING

ARE SHRINKING COMMISSIONS  
REDUCING YOUR CUT?

We represent a Highly Prestigious and Successful International Investment Bank who, due to expansion of their Equity Sales and Trading activities, are in the market for Research Sales and Trading Executives.

Our clients consider that the existing commission system is all but dead and that the best way for them and their Executives to make real money in today's market is via a Performance Related, Partnership Style, participation in Capital Progress.

They seek to harness the energy and commitment that is required to make money out of our commissions and place it in an environment that will yield for both parties. This is an exciting real money alternative to the cut of date method that executives in the market are asked to operate with, especially as there is no own capital input involved.

Our clients are sure that out there, there are men and women frustrated by the way in which they are being rewarded, looking to see a good return on their efforts, who are making the best of the old system but certain that commissions is not the way to go forward.

If this concept appeals, then we would like to meet you for a confidential interview.

To be of interest to our client you need to satisfy the following criteria:

- A solid sales or trading background, at least two years, with Equity Products and their derivatives, good account relationships and a continental viewpoint.
- Remuneration. Much has been made of money in this advertisement - Base salary will be very competitive. Over that, you will earn in direct proportion to your success in the job.

CONTACT ROBERT MILNE  
ON 01-631 5045  
CRANFORD BANKING RECRUITMENT

## OUTSTANDING OPPORTUNITIES IN...

### FUND MANAGEMENT

- EXCEPTIONAL CAREER DEVELOPMENT
- HIGH LEVEL RESPONSIBILITY
- £ EXCELLENT + BONUS

Due to the rapid growth of funds under management this major International Banking and Financial Services Group now seeks two additional Assistant Fund Managers.

The first position involves research, analysis and portfolio management of International equities - particularly concentrating on the US and the Far East. The second post requires experience of the International fixed interest markets.

In both cases, the successful candidate will be aged mid 20's, a graduate and have a minimum of one year's experience in an investment environment. Numeracy, enthusiasm and high levels of motivation

are essential qualities. This could be an ideal first move for an ambitious analyst or a junior fund manager whose career is not progressing fast enough. Prospects for the future are assured for the right candidate and salary levels are not an inhibiting factor.

Interested candidates should contact Sarah Beaumont on (01) 629 8070 or send a detailed curriculum vitae to her (quoting Ref. L216) at Slade Consulting Group (UK) Ltd., Metro House, 58 St. James's Street, London SW1A 1LD. All applications will be treated in strictest confidence.

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SLADE CONSULTING GROUP (UK)

## Hoggett Bowers plc

Executive Search and Selection Consultants

### CITY DIVISION

#### Marketing Officer c£25,000

A Marketing Officer to specialise in large project finance is sought by our client which is an International Bank with an excellent name in the City. In addition to the development of business in the UK, you will be responsible for the supervision of loans officers and a team of credit analysts. Aged up to 35, the ideal candidate should have at least five years of relevant experience.

#### Manager, Investment Administration c£20,000

This is a challenging role within a top UK Merchant Bank which requires good management skills and a working knowledge of UK and overseas equities and fixed interest securities settlements. Ideally aged late twenties to mid thirties, you will be responsible for ten staff dealing with administration and settlement of client funds, as well as being personally involved with client meetings and liaison with fund managers.

#### Institutional Sales £ Neg

An experienced institutional salesperson who specialises in European stocks is sought by this top Merchant Banking organisation. This is an opportunity to join a highly respected team. Knowledge of a second European language would be a distinct advantage.

#### Private Clients Executives c£20,000

Due to rapid increase in business, our client, a top UK City institution, is seeking experienced private clients advisers with a recognised Stock Exchange qualification to supplement its expanding department. Prospects for career progression are excellent for successful applicants.

#### ACA - Newly Qualified To £20k

Newly qualified ACAs are required by this prestigious UK Merchant Bank to join its financial control function. This is an ideal first step into the City and applicants should be top flight graduates who have qualified successfully within a leading firm of accountants.

#### Senior Credit Analyst To £18,000

The Corporate finance department of this leading European bank is seeking to recruit an additional credit analyst to work at a senior level. The successful candidate must have gained substantial credit experience over at least three years within a banking institution and will be involved in all stages of deals including submission of proposals to credit committee. Long term prospects exist to move into a marketing officer capacity.

#### Audit Officer c£17,000

A top ten US bank with an excellent reputation for its auditing function is looking to recruit an additional auditor. Based in the UK, the position involves monitoring and providing technical expertise to the bank's overseas audit teams as well as developing and evaluating audit functions relating to new areas of business. An ideal role for candidates with previous auditing experience gained in a banking environment to move into a consultancy type role.

#### Eurobond Settlements £15,000+

On behalf of our client, a leading US name, we are interested in seeking experienced Eurobond settlement teams as well as seeking a new challenge. Candidates should have at least 2 years experience of Euroclear and/or Cedeal and must thrive in a hectic working environment.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

## Gresham Trust p.l.c.

### Development Capital Executives

Gresham Trust p.l.c., one of the leading City institutions providing long-term capital for medium-sized private companies, require Senior and Junior Executives for key appointments in their expanding management team.

The role of a Senior Executive, who ideally will be aged 30, will involve appraising investment opportunities, negotiating appropriate terms and conditions and the monitoring of performance, as a non-executive director, of companies within the Group's investment portfolio.

A Junior Executive, aged around 25, will be expected to assist in the appraisal of unquoted companies seeking permanent capital.

The successful candidates will have had several years' experience in a similar institution or possibly with appropriate training in a firm of accountants or solicitors.

Please write in complete confidence with full career details to:



Norman Baldock,  
Managing Director,  
Gresham Trust p.l.c.,  
Barrington House,  
Gresham Street,  
London EC2V 7HE.

## CHARTERHOUSE TILNEY

We are a member of The Stock Exchange and a leading regional stockbroker with Institutional and Private Client Investment business. We have offices in Liverpool, London, Altrincham and Shrewsbury and have recently established an office in Edinburgh. We are seeking to recruit a...

### PRIVATE CLIENT PORTFOLIO MANAGER

to join our Edinburgh team. The person appointed will have responsibility for expanding the private client business in Scotland.



The successful applicant should have at least three years' experience as a Private Client Portfolio executive with a sound educational background.

This position offers a challenging opportunity for the right person which will be matched by an excellent remuneration package.

Replies in writing enclosing a full curriculum vitae should be addressed to: J.H. McQueen,  
Charterhouse Tilney, 26 St Andrew Square,  
Edinburgh EH2 1AF

## CHARTERHOUSE

A MEMBER OF THE ROYAL BANK OF SCOTLAND GROUP

### Export and Project Finance Manager, Eastern Europe

Lloyds Export & Project Finance Ltd is a market leader in financing projects and export contracts. A division of Lloyds Merchant Bank, it now wishes to recruit a Manager to join the business development team which focuses on Eastern European markets.

Candidates will have a broad background in merchant or international banking with recent experience of marketing and negotiating export finance products. Familiarity with commercial contract and loan agreement negotiations and the services of ECGD and other export credit agencies is essential.

Aged around 30, the ideal candidate will have an intimate knowledge of one or more of the active Eastern European markets and have fluency in German or Russian.

The job will attract an ambitious, self motivated individual with an innovative approach to the arrangement of financial packages. A competitive remuneration package, which includes a full range of banking benefits, is on offer.



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Merchant  
Bank

Send your CV to:

Geoff Morgan  
The Personnel Director  
Lloyds Merchant Bank  
40-66 Queen Victoria Street  
London EC4P 4EL

## Shepherd Little & Associates Ltd

Banking Recruitment Consultants

### PROPERTY LOANS DEPUTY MANAGER c£25,000

An established British bank with a highly respected and profitable property lending department have an opening for a Deputy Head. A background of loans administration and managerial skills gained from within the property lending area of an international bank is a prerequisite for this position. Duties will involve all administrative of loans, supervising a staff of 70 with further duties ranging from marketing to attending signings etc.

Please contact Paul Trumble.

### TRAINEE BOND SALES

If you have a 1st class honours degree in mathematics or a similarly numerate discipline and are aged 21/25 you could move into the dynamic world of Bond Sales. You will also require a well-rounded personality and the ability to cope with the ups and downs of a sales environment. This is an outstanding opportunity with a highly professional trading room of an overseas bank.

Please contact Brenda Shepherd.

### BOND TRADERS Hong Kong & Tokyo

Our client, a well respected American investment bank wishes to recruit as part of their continuing expansion programme, an experienced Bond Trader for the Tokyo office and a Bond Traders Sales Person for Hong Kong. All-rounders with good PRN and fixed interest experience, wishing to further develop a career, either by way of contract or permanently in the Far East, are invited to apply.

Please contact Brenda Shepherd.

### SENIOR CREDIT ANALYST to £20,000

A demanding role for a risk analysis expert, join an expanding international bank in a senior credit administration post. Main responsibilities will involve bringing your highly developed credit skills to a central role, reporting on varied and complex business. Our client would ideally be interested in candidates with either some formal credit training or the ability to demonstrate a successful track record in credit analysis with a recognised bank.

Please contact David Little.

Ridgway House 41/42 King William Street London EC4A 9EN.  
Telephone 01-626 1161

## A LEADING FIRM OF STOCKBROKERS requires

### PROCEDURES ANALYSTS Office Systems and Procedures c£17,000 - £20,000pa

Our Compliance department is looking to recruit several procedures analysts to document and develop our business systems and procedures.

The initial task will be to document all existing procedures within major divisions. You would then be expected to propose and implement improvements to existing procedures and to develop systems to cope with new business ventures. This requires strong analytical, organisational, written and verbal communication skills.

The ideal candidates will have experience in the securities industry either in a settlement or accountancy position and will be happy working in a highly pressurised, constantly changing environment.

Salary will be negotiable depending on experience and will be accompanied by an excellent benefits package. Please write with a full CV to Ruth Colley, Personnel Manager, Hoare Govett Limited, No 4 Broadgate, London EC2M 7LE.

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are also high performers. They have consistently been in the top quartile of all UK funds for the past few years.

It is this continuing superior investment performance which will establish us as one of the key players in the financial services industry of the 1990's.

### ASSOCIATE DIRECTOR - INVESTMENT ADMINISTRATION

Excellent Salary Plus Car, Bonus & Benefits

To ensure that we achieve our goal, we now require an Associate Director to head up our Investment Administration Division at our Tonbridge Headquarters.

This newly created position represents an exceptional opportunity for a highly motivated person who has the determination necessary to develop this role and create real prospects for long-term self-advancement.

You should be aged between 30 and 45, and will probably be working at senior managerial level within the financial sector. Your background must include at least five years experience in the securities industry with an investment, unit trust or banking group. You should also have a proven track record in management, together with knowledge of computer systems and investment portfolio administration and accounting. The relevant accountancy qualifications would be an advantage but are not essential.

Your responsibilities will include all aspects of unitised and institutional portfolio administration. Liaising with Investment and Pension Fund Managers, Trustees and Fidelity Offices in the UK and overseas, you will be expected to have considerable involvement in our international fund accounting project and the organisational structure of the department.

We are offering an excellent negotiable salary which will reflect the importance of this position, together with a car and attractive benefits, including a substantial performance related bonus.

If you are a senior executive looking for the responsibility and challenge of joining a dynamic organisation offering international involvement, please telephone Gerry Baxter direct on 0732-373380 in the strictest confidence, or write to him at Fidelity International Management (Holdings) Limited, River Walk, Tonbridge, Kent, TN9 1DY.



**Fidelity**  
INTERNATIONAL

BERMUDA-BOSTON-HONG KONG-JERSEY-LONDON-NEW YORK-SAN FRANCISCO-SYDNEY-TAIPEI-TOKYO

## Direct Marketing Manager

London

Our client, a member of one of the UK's largest banking institutions and a leading name in the Financial Services Sector is developing its direct marketing activities and consequently seeks to recruit an ambitious and enthusiastic Marketing Manager to spearhead this operation.

This position will require an energetic and innovative individual capable of increasing the sales of the company's consumer credit products via effective direct methods.

The successful candidate, ideally aged 25-35, and probably a graduate, will have a proven track record in the use of sophisticated direct marketing techniques in a fast paced, blue chip organisation.

Financial services experience, while preferred, is not mandatory. However, communication skills and the ability to lead and supervise a young motivated team are essential personal qualities.

This challenging and demanding role offers a competitive remuneration package and an excellent opportunity to be at the fore of a major marketing impetus.

Interested applicants should contact Catherine Fitzsimons on 01-404 5751 or write to her, enclosing a comprehensive curriculum vitae, at the Insurance Division, 39-41 Parker Street, London, WC2B 5LH. Strict confidentiality is assured.



**Michael Page City**

International Recruitment Consultants - London Brussels New York Paris Sydney  
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(SEARCH AND SELECTION CONSULTANTS)

## Jonathan Wren

### UNIT TRUSTS

In order to maintain their leading edge a global unit trust company, whose reputation has been built on consistent and successful investment, is seeking highly motivated professionals with proven track records for the following positions:

**UNIT TRUST ADMINISTRATION MANAGER** to £25,000 plus substantial performance related bonus, benefits and car

Two administration managers are sought with the ability to control all aspects of the day-to-day operation of unit trusts, especially share exchanges, dealing, registration and unit trust portfolios for discretionary clients. The successful candidates will be in their late 20's to early 40's, with a relevant financial services background and a proven track record in management, possibly within the unit trust environment.

**ASSISTANT MANAGER** to £20,000 plus bonus and benefits

Two assistant managers are required to be responsible for all aspects of the administration and accounting of unit trust portfolios. This will include the preparation of trust accounts, valuations, distributions and pricing. Applicants should have the necessary leadership skills to take charge of a small team and a minimum of 2 years experience of investment accounting and administration procedures.  
Contact Keiren Harris.

LONDON BRUSSELS HONG KONG SYDNEY

**Jonathan Wren**  
Recruitment Consultants  
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Telephone: 01-623 1266. Fax: 01-626 5258.

## QUANTITATIVE INVESTMENT SERVICES GROUP

County Investment Management is seeking to recruit a young man or woman in their mid 20's to join a rapidly expanding group which specialises in the application of modern investment theories and techniques to fund management. The group plays a leading role in developing strategies for the global fixed income and equity markets, and already has over £1bn (currency equivalent) under management in a range of passive and quasi passive strategies.

Applicants are likely to be highly numerate with a degree in Economics, Maths or Statistics, together with 1-2 years' analysis, fund management or dealing experience in overseas markets, preferably Europe or the Far East. The work will initially consist of assistance in the design and implementation of passive equity portfolios whose objective is to match the return on stock market indices in various overseas markets. In addition there will be opportunities to participate in the development of innovative trading strategies, and other research and development activities of the group.

If you possess an innovative and pragmatic approach to problem solving and like to work in a lively, professional environment send a detailed c.v. to:

Ian Carlton, Personnel Manager, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

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## Promote Your Future in Project Finance

To £30k + Benefits

With a successful track record going back a quarter of a century in London, my client is the U.K. branch of a major foreign bank renowned on its domestic territory for its enterprise and innovation, and operating in no fewer than 21 countries overseas. The parent's growth in assets over recent years has been steadily expansion and development via a comprehensive, up-to-the-minute portfolio of products and services. The Bank's reputation at home is now rivaled by its ever-increasing prestige abroad.

The continuing diversification of the London branch business has recently led to the establishment of a further section, Project Finance, within the Finance Department. In recognition of the growth in high-risk, non-recourse lending sectors such as aircraft, property, leveraged leasing and similar transactions, the Bank therefore now proposes to appoint an ASSISTANT MANAGER, PROJECT FINANCE, to initiate and implement the new section's programme.

Probably a finance or economics graduate in your late 20's with a minimum of two years' relevant experience, either generally in high-risk lending or with specific exposure in one field, such as aircraft financing, you will already be well introduced, highly familiar with the market, and will display a marked capability for evaluating both the intrinsic merit of individual projects and the entrepreneurial calibre of those involved in them. Co-operative ventures with other major banks or specialised financial institutions will frequently be required, and you will possess a "nose" for new project activity, as well as developed organisational ability and a sense of initiative. Desirable personal talents will include discerning powers of judgement, a capacity for absorbing and interpreting detail, and articulate report-drafting skills, and you will be commercially-aware, decisive, and able to contribute from the outset.

The Bank is noted for its policy of providing early responsibility and rewarding talent and commitment, and prospects for career progression are excellent.

Interested? Then please ring or preferably write (in total confidence) to me Trevor G. Bacon, Sowerby's (Selection) Ltd., Personnel Consultants, 500 Chesham House, 150 Regent Street, London, W1R 5EA. Tel: 01-439 6228.

*Sowerby's Selection*

## PORTON INTERNATIONAL

Biotechnology is the last great industrial revolution of this century. Through provision of quality fermentation equipment the industry's potential will come to fruition more quickly. LH Fermentation, a member of the Porton International Group of Biotechnology companies, is a world leader in fermentation bioprocess plant and control instrumentation. We are implementing an aggressive business strategy leading to substantial growth. We are looking for additional key staff to ensure the success of our exciting business plans.

**General Manager**  
Salary up to £40,000

You will be responsible to the board of Porton International for the overall development and profit growth of LH Fermentation. Ideally, you will be a product-oriented engineer with a background of achievement in a manufacturing industry. Management experience and a tough and challenging personality will be essential, and a relevant business qualification would be an advantage.

**Technical Manager**  
Age 28-40 - Salary up to £30,000

Reporting to the General Manager, you will form part of a highly successful team of committed and enthusiastic young managers. You will be responsible for the management of new product designs from concept to launch. Degree level education in either mechanical or chemical engineering, backed by an understanding of biological processes and experience in project management are essential. You will also need to demonstrate a proven track record in cost effective design management. Knowledge of electronic control systems is desirable.

**Operations Manager**  
Age 28-40 - Salary up to £30,000

Reporting to the General Manager, you will be responsible for organisation and leadership of the assembly operation. This position carries responsibility for production control, material purchasing, supervision of the shop floor and quality control. The ideal candidate will have all-round production experience in an efficient manufacturing environment and must be capable of demonstrating significant achievement in at least two of the above areas. You should also understand the principles of lead-time reduction and production control disciplines.

In addition to the excellent remuneration the benefits package for each position includes a company car.

Apply in writing to Mr. Peter Wilson, LH Fermentation Ltd, Bells Hill, Stoke Poges, Slough, United Kingdom, SL2 4EG. Telephone: 0294 5100. Telex: 848296 LHFERM G.

SCIENCE IN BUSINESS



## Hoggett Bowers

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Major Investment Institution

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c£18,000, Bonus, Exceptional Benefits

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The position has a varied brief, including the management of current processing, researching, recommending and implementing services, systems and software improvements. Additionally there is administrative responsibility for compliance with internal and external procedures and market regulations.

The existing team is young and the position will suit graduates in their mid to late twenties. Experience should include e.d.p. systems operating in the finance industry, preferably in the City. Administrative and interpersonal skills are vital for the work environment where hard work and success are the norm. The potential for the right person is enormous in career and remuneration.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to I.L. Duff, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 5WB, 01-734 6852, quoting Ref: H14002/FT.

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Package to £40,000

We are currently recruiting on behalf of a number of Merchant and Investment banks in the City who are looking to develop and expand their Corporate Finance teams.

They provide the whole range of financial services for the most prestigious names in British industry and commerce, including money raising, re-financing, mergers, acquisitions and disposals.

The ideal candidate will be a high calibre graduate aged 25-28 with ACA or legal qualifications gained within a City firm or be a banker with some relevant M & A or new issues experience.

Promotion will be rapid and salary highly competitive for the individual who can demonstrate excellent communication and innovative financial skills.

Please ring or send c.v. to:-  
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Capital Futures is an independent recruitment consultancy committed to the provision of professional and impartial advice to client and candidate alike.

All applications are treated in strict confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

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## Bond Sales Management

Our client is a major international Merchant Banking Group, and a leader in Fixed Interest Markets. They have developed sophisticated methods of analysing Bonds and other Capital Markets instruments worldwide. A marketing team has now been created which will sell the resulting investment strategies to clients in the UK.

A leader is needed for this team who can bring to it a combination of mathematical skills and sales ability and who can turn the ideas into order flow.

This is an attractive opportunity for an ambitious person to take the first step into sales management. Alternatively, experience in fund management would be an appropriate background. Candidates must be graduates in a numerate discipline and aged between 25 and 30.

An excellent remuneration package is available which will include a profit sharing element. Please write with full career details. These will be forwarded direct to our client. List separately organisations to which they should not be sent. B.G. Woodrow, ref. BGW/B/3.

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## RECRUITMENT CONSULTANTS

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We seek highly-motivated commercial individuals to form a nucleus of professionals and to be accountable for the development of their own business areas. Aged between 28-32, you must possess excellent communication skills and the drive to succeed. Your work experience to date may have been gained in finance or a relevant consultancy area and will have equipped you to assume a high profile role leading to an early management opportunity.

Packages for these crucial opportunities are negotiable according to age and experience. First year earnings should be in the region of £20-25,000 and comprise a high basic salary, profit share scheme, company car as appropriate and other benefits.

For a confidential discussion, please contact Ian Hetherington, Mervyn Hughes International Limited, 63 Mansell Street, London E1 8AN. Telephone: 01-488 0155.



## European General Manager

SALARY—CIRCA US\$60,000

PLUS INCENTIVES

American Manufacturer requires an **EXPERIENCED GENERAL MANAGER** for its European Subsidiary which assembles and distributes mechanical products throughout Europe, the Middle East and Africa.

Sales are currently running at US\$8m and the successful candidate will have the necessary qualification and initiative to develop future growth through distributors. He/she will also be adept in controlling international currency transactions. A working knowledge of European languages is essential together with an understanding of the American Standards of Management upon which his/her performance and compensation will be judged.

If you wish to be considered please send your resume in strictest confidence to:  
Box A0457, Financial Times, 10 Cannon Street, London EC4P 4BY

## Financial Engineer

### Project Finance

Our client is one of the world's leading international banks with a major presence in London.

As part of the continued growth of the Bank's highly successful Financial Engineering Team in its Corporate Finance Department, there is a requirement for an experienced banker to structure and arrange finance in support of exporters' bids on large capital projects. The position also covers the structuring of financial engineering proposals involving the use of treasury products to provide alternative and more efficient approaches to borrowing and asset management.

Candidates should ideally have experience of project finance in addition to a knowledge of liability, foreign exchange and capital markets products. Some knowledge of export credit agency programmes would be an advantage. A highly innovative approach to problem solving is essential.

A competitive salary and benefits package will include substantial bonus opportunities for successful performance.

Please write with a full c.v. indicating present salary level to Confidential Reply Service, Ref: 9608, Austin Knight Advertising, 17 St. Eileen's Place, London EC3A 6AS.

Applications will be forwarded to our client direct, therefore companies in which you are not interested should be listed in a covering letter to The Confidential Reply Service.

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## Management Auditor Key role in major charity

£20,699-£22,414

Barnardo's is a Charity providing services to young people and families with special needs and to do this we raise funds from the public and government sources and maintain a range of support services including financial accounting, property management and publicity. We are committed to achieving effectiveness and value for money in all these operations.

There are two main aspects to this appointment. One is to assist Directors in the constant appraisal of the use of all resources to ensure maximum benefits including the use of management services techniques. The other is to monitor internal audit control systems to ensure that assets are adequately protected, income properly accounted for, and that payments are properly authorised.

The vacancy arises from the death of the previous occupant, who had held the post since its inception in 1974. The role is therefore well established. However, there will, no doubt, be benefits to be gained from the fresh and different approach of the new leader, who will also be able to contribute to our forthcoming review of our computer systems. This could lead to us setting up our own data processing facility.

The post reports to the Senior Director and is based at our headquarters. It calls for a candidate of degree level or equivalent, with training and/or qualifications in either computer studies, management or business studies, accountancy or administration with wide ranging experience in accounting audit, computing and management services.

Barnardo's is a Christian Child Care Organisation and offers a comprehensive package of conditions of service including relocation expenses and transferable pension. Applications for posts are welcomed from persons irrespective of disability, marital status, sex or race.

Further details and application form are available from Mr V H Givan, Personnel Manager, Dr Barnardo's, Tanners Lane, Barking, Essex, Tel: 01-550-8822. Closing date 10th April 1987



## Ord Minnett

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Ord Minnett — Australia's consistently top ranked investment bank — requires:

## CORPORATE FINANCE EXECUTIVE U.K. AND EUROPE

Ord Minnett's London office requires a further experienced executive to work on all facets of equity raisings, acquisitions, corporate advice and valuations.

We are seeking someone who is at least 26 years old with a minimum of two years' such experience within a merchant or investment bank. He/she will work closely within a team framework and backed by senior executives from our head office in Sydney. This is a senior appointment which should also lead to an outstanding career opportunity.

Salary package will be commensurate with experience.

Please send your c.v. with full particulars to:

Miss T. Cottrell  
Ord Minnett Limited  
1 College Hill, London EC4A 3BA  
or telephone 01-248 1606

All enquiries will be treated in the strictest confidence

## MARKETING DIRECTOR — LONDON SW3

Our clients are a newly formed British Company, based in London SW3, engaged in the marketing of futures funds worldwide. The Company wishes to appoint a Marketing Director who will operate from UK headquarters and be responsible for the promotion and marketing of futures funds in Israel and Southern Africa, and who will have responsibility for controlling the development and maintenance of client and agent connections in these countries.

Detailed knowledge of Israeli futures funds and marketing thereof required. Fluent Hebrew essential. Knowledge of Southern African financial markets also useful. Willingness to travel and spend substantial periods of time abroad essential. Salary to £20,000 plus benefits.

Please apply in the first instance to Gross & Co., 84 Guildhall Street, Bury St. Edmunds IP83 1PR (reference GDC) enclosing full C.V.

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Our client is a well established international bank with an excellent reputation. To complement the existing, active dealing team they require an experienced and highly capable forwards trader.

The appointee will be encouraged to expand the existing forwards book and experience in a major currency or Scandi is required.

Applicants should have at least three years forwards trading experience with a medium to large bank and should possess a broadbased and in depth knowledge of that market.

Salary to £35,000 plus benefits.

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The role demands some formal business qualification—perhaps an Economics Degree, or Business Studies qualification with an Economics bias. Age is less critical than your ability to adopt a comprehensive view of our business problems in general and an appreciation of the UK oil/petroleum markets in particular. You may well have gained your initial experience within this market and be looking for a career move. However, experience within the Oil Industry, although highly desirable, is not a requirement. A working knowledge of the French language would be useful.

The attractive negotiable package will include car, and benefits include medical cover and generous lunch allowance. Relocation expenses are available, if applicable.

For further information, male or female candidates call Bill Cogle on 061-834 4171 (office) or 0484 641529 (7pm-9pm any evening); or write to him quoting reference number P285 at Austin Knight Selection, 35 Peter Street, Manchester M2 5GD.

# S.T.

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We are now seeking to recruit suitable candidates to manage these offices. A good knowledge of Stock Exchange investment is required, but previous stockbroking experience is not essential. The post would be suitable for a Senior Trust Officer with a Trustee Bank, a solicitor or a member of The Stock Exchange.

The Branches will be primarily concerned with dealing with Private Clients, so an ability to communicate effectively is essential. Suitable candidates must be ambitious and prepared to work hard to develop a profitable branch.

An attractive remuneration package will include direct rewards linked to the success of the branch as well as the growth of the Group.

Write with full C.V. to:- D.S. Ridout Esq., Chief Executive, Spencer Thornton & Co., Spenthorn House, 22 Cousin Lane, London EC4R 3TE.

## Director, Strategic Market Development - Europe

### To plan and implement significant business expansion

Two factors differentiate National Advanced Systems as a worldwide supplier of industry standard mainframe computer systems; the development of strategic partnerships and our dedication to providing exceptional care to our customers. The appointment that we now wish to make demands an unusual combination of attributes and experience for a high achiever who will be based at our West London HQ.

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To qualify for this rewarding and visible role we expect you to be aged between 35 and 45, university educated, fluent in English and with strong evidence of achievement within a multi-national capital equipment company. Exceptional marketing and financial skills must be backed by management experience, to equip you for a broader international role or a general management position within the foreseeable future.

It is unlikely that salary will be a barrier for the executive we seek, and a full benefits package is offered, including executive car. Please respond by calling the Company's Consultant on 04962 70021 for a confidential discussion, or by sending your curriculum vitae to John Curran, Vice President and Director, European Sales, National Advanced Systems, John Bush House, 277 London Road, Isleworth TW7 5AX.

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Salary: £35,000

plus benefits which include a company car

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The successful applicant will be in his/her mid 20s with a minimum of one year's experience in South East Asian markets.

Excellent salary and benefits.

Candidates should apply with Curriculum Vitae to:

Box A0456 Financial Times

10 Cannon Street, London EC4P 4BY

## International Appointments

## International Banking

### CORPORATE FINANCE ASSISTANT

A European Bank's U.K. operation, active in a wide range of services to public and private sector entities, requires an appropriately qualified person, aged around 30, with relevant Corporate Finance experience gained from a banking background in the City. SALARY: £20,000.

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CONSULTANTS

57/59 LONDON WALL  
LONDON EC2M 5PU  
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*Gordon Brown*

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Leicester is a leading Polytechnic with a record of distinguished achievement. Its future holds excitement and challenge for those with ability and commitment.

Salary: Group 12 Institution £27,486/£28,479 p.a. (under review).

Application forms and further particulars from: The Personnel Officer, Leicester Polytechnic, PO Box 143, Leicester LE1 9SH.

Tel: Leicester (0533) 551551 ext. 2303.

Closing date: Wednesday 15th April 1987.

**EQUAL OPPORTUNITIES POLICY:** Applications are welcome from people regardless of their race, ethnic origin, religion, sex, marital status or disability; disabled applicants will be guaranteed an interview if suitably qualified and or experienced, and supported by a recognised agency e.g. a D.R.O.

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LEADING EUROPEAN BANK

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CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LTD., 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PU

## PARIS STOCK MARKET

As part of the opening of the Traded Options Market in June, a major French broker is seeking to employ a

### MARKET MAKER

Two to three years' experience plus working knowledge of French are required. Competitive salary and bonus will be negotiated.

Candidates are invited to submit CV details including remuneration proposals. Confidentiality guaranteed.

Financial Times, 10 Cannon Street, London EC4 4BY P.O. Box No.0000

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(33-Member of Business Administration) reassessing present situation and reviewing employment alternatives is looking for new managerial position within an offshore unit of an international bank or related institution. Location, although important, is less relevant than getting a long term relationship with the institution. Position should be in relation to the size of the unit and personal experience (General Management, Corporate Banking, Private Banking). Multilingual (5 languages). Diploma 44-2300, Publications, P.O. Box, CH-2021 Zurich

## Appointments Wanted

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with undergraduate in Finance and Computer Science Age 27, currently working in USA wishes to relocate for new opportunity. Present position Treasurer of \$150,000,000 revenue based Amex sporting goods corporation. Extensive knowledge of the TENNIS INDUSTRY

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## South China Morning Post

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## Business Editor

to head our daily business and financial section. Business Post consists of a minimum 8-page separate section, plus a two-page early morning Late City edition with the latest overseas news and stock prices.

The Business Post has its own reporting and subbing staff of 24, and operates autonomously under the overall direction of The Editor.

Because of the importance of Hongkong and the region in financial and business terms, the South China Morning Post is seeking an experienced financial journalist with the ability and flair to edit this section. It is an important and rewarding position.

The successful candidate will have the opportunity to contribute to overall editorial and management thinking within a modern newspaper environment of the highest editorial and production standard.

The total annual package of at least

**\$HK400,000-plus**

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Preference will be given to those prepared to commit themselves to Hongkong for at least two years.

The Editor will interview selected applicants in London in early April. Applications, with a full CV, should be sent to:

**The Editor  
The South China Morning Post  
G.P.O. Box 47 Hong Kong**

Tel: 5-652222 Telex: 86008 SCMP FAX: 5-664448

# EUROPEAN MOTOR INDUSTRY

## Haig Simonian on the German motor group's big currency scandal Red faces all round at Volkswagen

WE HAD got over the Herstatt crisis, now we are back again. Every foreign exchange dealer is a shock again in the public's eye, and every treasury man a criminal."

Harsh words from a senior treasury executive at one of West Germany's leading banks. But they sum up the way many bankers in Frankfurt are feeling about the alleged DM 480m (\$245m) foreign exchange fraud at Volkswagen.

Dropped on an unexpected world two weeks ago, the VW affair is still short on hard facts. Pushing aside the dozens of theories, the following sequence of events has become clear.

VW became aware that all was not well with its foreign exchange business as early as last November after tips in a Frankfurt financial newsletter. The company conducted an internal investigation, which appears to have revealed nothing. However, VW's suspicions were confirmed on February 15 this year at the latest, when the Hungarian National Bank in Frankfurt denied all knowledge of a foreign exchange transaction conducted through a small Frankfurt trading firm, which VW believed had become due.

It is alleged that other falsified transactions were due to follow. Further inquiries led the company to lay charges of suspicion of fraud, breach of trust and falsification of documents with the state prosecutor's office in Braunschweig, the judicial centre in north Germany nearest VW's Wolfsburg corporate headquarters.

Since then, the pace has heated up, although most of the events remain circumstantial. VW has fired or suspended several foreign exchange and treasury staff, notably Mr Burkhard "Bobby" Junger, the previous head of its foreign exchange department, who says he is taking the company to court for wrongful dismissal.

Mr Rolf Selowsky, VW's finance director, was a later casualty. He resigned last week after sharp criticism of VW's board from Mr Gerhard Stoltenberg, the West German finance minister.

Mr Stoltenberg is believed to have been enraged by the affair both on moral grounds and because of the embarrassment it has caused for the Government's privatisation programme. The minister has acknowledged that selling the state's remaining 16 per cent stake in VW may no longer be possible this year.

Meanwhile, the Braunschweig legal authorities have widened their net by bringing in colleagues from Frankfurt, the Federal Criminal Office, and a foreign exchange expert from the Bundesbank.

They would all like to speak to Mr Joachim Schmidt, the high-living head of a small Frankfurt foreign exchange trading firm who is believed to be abroad for an indeterminate period. It has been widely alleged that Mr Schmidt played a central role in the affair.

The investigation is likely to

reach subsidiaries.

VW is pinpointed by bankers in West Germany and abroad as operating one of the most active and aggressive corporate treasury departments. Mr Junger himself has confirmed that VW did business with as many as 70 international financial institutions, turning over some DM 80bn a year. Indeed, one reason for his decision to quit VW—he was fired after he had already resigned—was differences over how treasury operations should be run.

But by all accounts, VW was an exception to the otherwise

per cent of their capital.

Some banks are rumoured to have used VW as a way of getting round that rule by parking excess positions with the company's treasury department overnight. No one has commented on the allegations so far, but there is already plenty of talk in Frankfurt about the need for "re-regulation" in some markets. If the rumours are true, they bode ill for some banks' standing here.

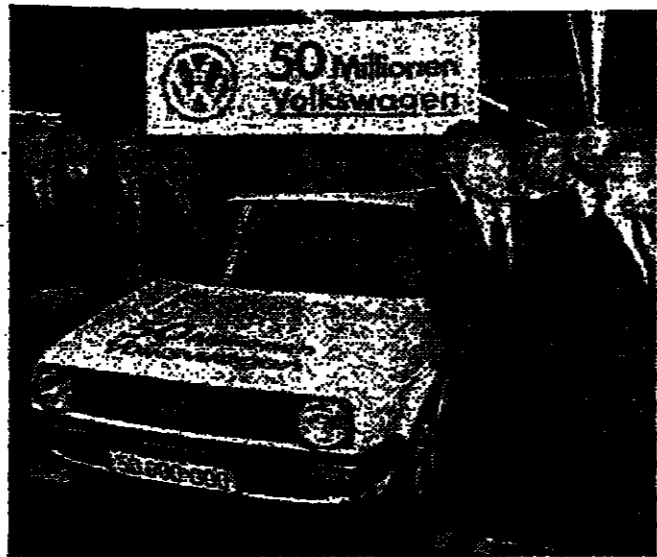
On the company side, it seems likely that those groups operating bank-like treasury departments may face stricter bank-like supervision once the dust has settled.

What awaits the banks themselves very much depends on the results of the investigation. Some banks are already trying to distance themselves from the affair. Speaking in Bonn last week, Mr Hans Christian Schroeder-Hohenwarth, the outgoing president of the West German bankers' association, took pains to point out that no member bank was involved in the affair as far as the association knew. On Friday, Mr Peter-Jochen Ebel, a board member of Dresdner Bank, one of VW's "house" banks, said his bank was not involved.

Might the alleged fraud at least help to bring a little more transparency to the West German corporate accounts? The docility of VW shareholders so far suggests not. Perhaps they are still stunned by the affair, but questioning on VW's accounting policies has been muted.

Indeed, remarkably few shareholders have quizzed the group on the key question of precisely when it knew of its foreign exchange problems, and whether it reacted sufficiently quickly. Character conflicts exist in many companies, but it is already clear that relations on VW's board of directors and on its supervisory board could have been better.

The squabbling may have damaged the company's effectiveness. Nor have they inquired how so much money may have been lost in a so-called "hedging" affair, when the company has regularly stated that it always dealt in the spot markets. Some bankers find it extremely hard to believe that a group of VW's size and sophistication should have pursued an anti-hedging approach, taking the rough with the smooth in the spot markets instead. But Mr Junger himself has recently confirmed that policy.



VW's 50 millionth car rolling off the assembly line this week

grind on for months rather than weeks. But the repercussions of what is probably the biggest currency fraud in corporate history, are already being strongly felt in Frankfurt.

For a start, foreign exchange business is down, notably on the hedging side. Companies are playing it safe; some are said to have considerably toughened up their foreign exchange trading procedures, requiring, for example, more stringent authorisation for forex deals rather than normal telexed confirmation.

How different West German corporations cover themselves in the forex markets is already one of the main talking points. Few West German corporations are immune from currency fluctuations either on the input side, or, to a lesser extent, on their exports. Involving in D-Marks is one answer, but that may just throw the burden of foreign exchange risk on over-

rather conservative German corporate attitude towards foreign exchange trading for a company's own account.

Other West German groups, such as Siemens, Ford, and some of the oil companies, have gained good reputations for treasury, according to senior bankers. But, unlike VW, all tend to trade defensively, using the markets to hedge their foreign exchange exposures rather than treating treasury as an independent profit centre. Though commonplace at large corporations abroad—likewise VW—the approach is still alien here and widely seen as speculative.

Supervision is the second talking point. West German companies, unlike the banks, face no regulatory obstacles on their foreign exchange dealings. By contrast, since the Herstatt crisis thirteen years ago, banks cannot trade in "risk-related foreign exchange" beyond 30

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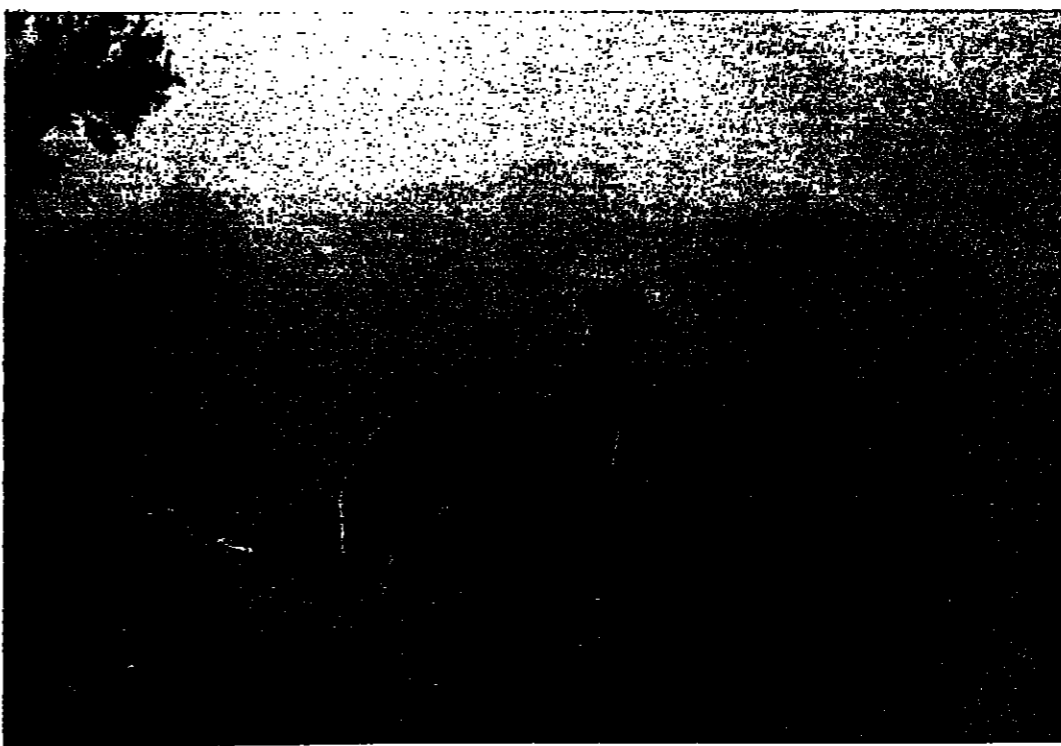
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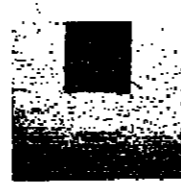
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## THE THATCHER YEARS

On day three of a series, Simon Holberton discovers some foreign views of the Thatcher revolution and Guy de Jonquieres discusses 'the most far-reaching shift in the philosophy of state ownership since the 1940s.'

## A vision clear, but limited

THE RESIDENT foreigner sees Britain as a country reborn. The power of the unions has been curbed to the point that managers can now manage. And British business has become more attuned to the international marketplace than ever before; far from shrinking from the challenge, it is embracing it.

But the leaner and fitter Britain has not been achieved without cost. Foreigners who have made the UK their home find it a less caring place.

For some, a traditional respect for debate and discussion has been debased; to question Mrs Thatcher's view of the world is equated with disloyalty.

Few abroad, especially those in workaholic Asia, value the attributes of Britain in its modern incarnation. Many Asians see Britain as a country which has exchanged its world power for the debilitating ideology of the welfare state.

When talking to foreigners about their experiences in Britain, the discussion invariably turns towards Mrs Thatcher. It is her "clear and limited vision" (as an American banker described it) of a tougher, more resilient and efficient Britain which most find responsible for the new character of the nation.

"I think she is probably the most popular leader since Baldwin," says Mr Leo Scherman, 58, a resident self-employed Frenchman.

"She has a direct contact with the man in the street. She is perceived as one of them. She comes from the same background and speaks the same language: thrift, hard work, as little state intervention as possible, everyone for himself, the end of the welfare state, the end of the spongers and scroungers."

Others simply feel that Mrs Thatcher has moved with the times. Mr Kent Price, 43, an American chief executive of a British industrial company, says: "Much of what this Government has done would have been implemented by a modern Labour government" because Britain by the late 1970s had come to recognise the limits of the state.

Mr Alfred M. Vinton Jr, 47, an American banker, points to the impact of her unequivocal leadership on a country that was "fed up." Without the will or support at the top, he says, "the middle people—the heads of industry, the managers of plants—would never have had the confidence. Given the support on the labour side and given the need, in view of free market forces, that people were not going to be given free breakfast and lunch every day, managements were made much more responsible to the real world."

For the immigrant who came here because Britain was a land of opportunity, what Mrs Thatcher stands for is good. "She is trying to engender a sense of competition," says Mr Kim Kiseon, 36, a Korean travel agent.

"Those who don't want to work are lazy and should be unemployed here who could work, but don't want to and we have to end up paying for them with our taxes."

He has found some attitudes resistant to change. "In (south) Korea, my neighbour drives a Rolls and I drive a 10-year-old Mini, then I'll work as hard as I can so I can have a Rolls as well. Here... they don't care. I just can't understand that."

But others have noted vast changes in attitude. "I find that managers and employees now feel that they are institutionally and personally as able as anyone in the world," says Mr Vinton. "In their ability to make things work, to produce, labour: to beat labour and communicate with it afterwards."

There is also more dedication to results rather than life-style. The perks used to be a parking lot, a Rolls and the executive key room. I think that managers and executives still have those things, but they play them down and that is a very healthy sign. People want to be seen to be effective rather than have an extra stripe on their shoulder."

Privatisation is likely to be one of Mrs Thatcher's lasting initiatives, but again foreigners differ in their interpretation of it. "I think the idea is right but the implementation is wrong," says Mr Price. "I see no benefit in taking British Telecom from being a public sector monopoly to a private sector monopoly. All the structural weaknesses and bureaucratic attitudes remain. I would have preferred to see BT split into three or four businesses."

According to others, while state ownership has been exchanged for private shareholders, control has not been democratised. Privatisation

amounts, therefore, to not much more than "a very clever attempt to turn everyone into a Conservative," as Mr Scherman puts it.

"People don't seem to have realised that, notwithstanding their acceptance of the tenets of popular capitalism, nothing has changed. They don't have a say in the running of those huge companies and the monopoly still remains. But it has worked, because people want to own and it has struck a chord."

But for Mr Vinton the argument is less about whether privatisation is a sham, than whether it widens the community's understanding of business realities.

"You get an annual report and you see earnings going up, and that's one thing; but if the earnings are going down you ask 'What's happening here?'"

"If you are protected and insulated from that, and it all goes through the Inland Revenue and the national Budget, the people who are actually paying for this through taxation don't understand what makes things go up and down, work and not work."

"It also makes those industries more responsive to their shareholders, and therefore they are more worried about what is right for their company than how it will be viewed politically."

But if the nation has developed a harder edge, it is not without loss. While much that was mediocre and dragged down the country economically is being turned around, that very process has undermined the egalitarianism introduced since

the Second World War. The past 10 years have seen a challenge to the power of the trade union movement and a wholesale questioning of the welfare state.

"What this Government has done is to do it faster and with some brutality," says Mr Price. "But it would have been more brutal not to prepare people for the 21st century and let them face the adjustment then."

Mr Vinton echoes this view, but adds that the corollary of thinking about what is best for the individual, his company and his industry is that people think less about who is hurt. "I think the UK has probably become less caring—that's not to say uncaring, the UK is still a terribly caring nation—but it is less caring relative to the mid-1970s, about the unfortunate."

At a governmental level, he believes the question: "Do you support the down-and-outers forever?" is answered in the negative. "If you do provide a relatively comfortable or subsistence level of support for everybody for the long term, you get a lot of people who elect to take the benefits. It's a tough decision to take, because you are making a conscious decision to save 90 per cent and hurt 10 per cent more."

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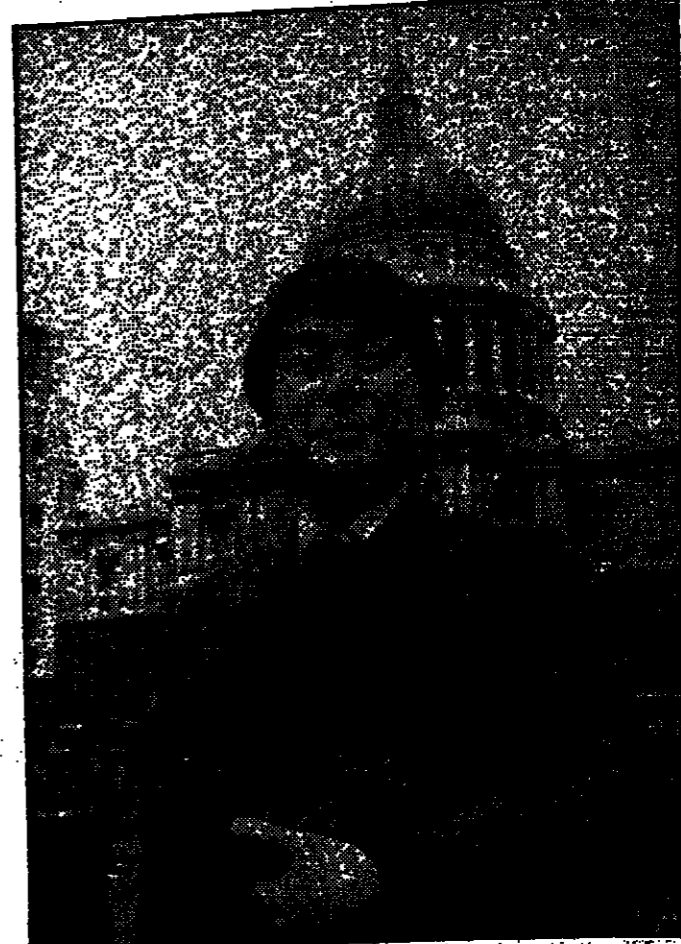
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## Privatisation: irreversible, warts and all



IT BEGAN life modestly enough. Neither readers nor probably the authors of the Conservative Party's 1979 election manifesto could have guessed that four brief paragraphs buried deep inside, under the heading "Nationalisation", presaged the most far-reaching shift in the philosophy and boundaries of state ownership since the 1940s.

Eight years later, privatisation has transferred 14 large companies and many smaller ones, employing a total of 600,000 people from public to private hands. The state sector has been cut by a third and, in the process, the Treasury has gathered in more than £11bn.

Politically, privatisation has succeeded beyond the Conservative Party's wildest dreams. Opposition in parliament and from the trade unions has been surprisingly muted and ineffectual, while the risks of floating what once seemed impossibly large chunks of equity on the stock market have been negotiated with only occasional embarrassment.

As the programme has developed, the Government's ambitions have grown bolder and more diverse. Initially the aim was to dispose of companies in competitive markets which could operate as well or better under private ownership. But since the flotation of British Telecom in 1984, the emphasis has begun to shift.

With the BT sale, which raised almost £4bn, privatisation began to assume importance both as a source of extra revenue and as a means of promoting wider share ownership. The appeal of the latter objective has doubtless been enhanced by the belief that, if large numbers of voters start to lose financially from renationalisation, they will be less likely to vote for any party pledged to implement it.

But the most important change was that privatisation of BT, and subsequently of British Gas, raised a whole set of delicate policy issues. Many economists and even some Conservative MPs have objected that in its eagerness to sell these large monopoly utilities, the Government failed to take effective measures to curb their market dominance and subject them to competitive disciplines.

Ministers have shrugged off such criticism and have continued to expound the virtues of privatisation with a fervour sometimes bordering on the evangelical. Increased efficiency and productivity, higher profits, more highly motivated employees, and keener response to the market are all claimed to be direct benefits.

The prospect of privatisation has clearly provided a salutary stimulus in a number of instances, notably British Airways and Cable and Wireless. In both cases, experienced top managers who might otherwise have balked at joining the public sector were brought in by

the Government and given a free hand to put the companies' affairs in order.

The outstanding example of a recovery stemming directly from privatisation is the haulage group National Freight. Since it was sold to a management-led consortium of staff and pensioners in 1982, pre-tax profits have increased nine-fold and its reputation with customers has improved dramatically.

"When National Freight was owned by the state it was appalling. Our dealers had to bribe drivers to get deliveries made," says Sir John Egan, chairman of Jaguar, itself privatised in 1984. "It's a very good contractor now."

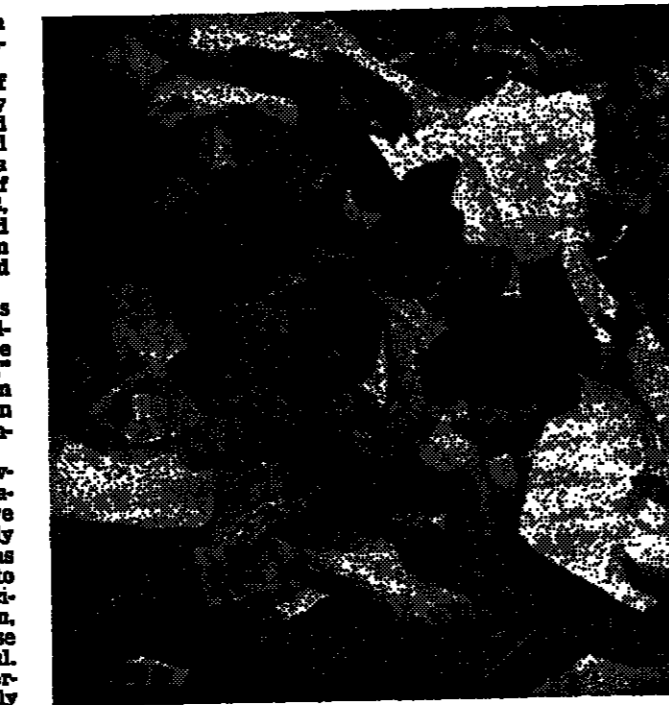
However, some of the Government's claims for privatisation are much harder to prove conclusively. Some previously troubled companies, such as Jaguar, were on the road to recovery well before a decision was made to sell them, while others, like Enterprise Oil, were already successful. Some, like Amersham International, were deliberately chosen for privatisation because only minimal changes were needed to prepare them for market.

Amersham had operated since 1965 on a commercial basis with considerable management and financial autonomy. "Our being in the public sector was an accident of history," says Dr Stuart Burgess, its chief executive. "Practically all the things we have done since privatisation we would have done anyway."

Not surprisingly, perhaps, the most outspoken enthusiasts for privatisation are top managers of those companies which previously laboured under the most burdensome state control. The first point made by all of them is their immense relief at escaping from a rigid system which subjected them to constant official interference and often imposed political, social and economic obligations irrelevant or contrary to their commercial objectives.

For several companies, privatisation has brought freedom to expand and diversify. Cable and Wireless set up Mercury Communications, its first UK-based venture and deepened involvement in Hong Kong and China, all of which would have been politically difficult under government control.

Associated British Ports has begun developing 2,000 acres which, under state ownership, had been forced to leave idle, while British Aerospace has bought Sperry Gyroscopes (UK) and entered the US executive jet market. Speedier decision-making is



Flashback to the scramble to lodge Jaguar share applications

government monitoring is not how to judge the most efficient use of resources, but an endeavour to avoid losses and maximise the Treasury take."

For Jaguar, the bugbear was less the Government than BL, of which it was previously a part. "I would spend days explaining to them. None of it was very productive," says Sir John Egan. Though BL was a reluctant seller, he says: "I never had the feeling that Jaguar was vital to anybody there."

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For several companies, privatisation has brought freedom to expand and diversify. Cable and Wireless set up

# Deadline set by Lloyd's over PCW settlement

By Nick Bunker

LLOYD'S OF LONDON is believed to have asked about 30 of the insurance market's underwriting agencies to say by today whether or not they will contribute to a settlement of the long-running PCW affair.

The agencies involved are so-called "members' agents" which placed Lloyd's underwriting members ("Names") on the former PCW syndicates during the 1970s and early 1980s.

It is understood that they have been asked to make ex gratia payments of around £10,000 to £50,000 each towards a sum of about £1.5m needed to settle the affair, in which more than 2,000 members of Lloyd's face gross trading losses of some £280m.

The ruling Council of Lloyd's is due to hold an unscheduled meeting today, a week in advance of its regular monthly meeting on April 1, to discuss the PCW affair.

This has led to feverish speculation in the Lloyd's market that the council will make an announcement soon - possibly as early as next week - of the terms on which it is seeking a settlement.

Senior staff of the Corporation of Lloyd's, the market's central secretariat, are understood to have worked through the weekend to draw up documents for submission to the council.

The PCW affair erupted at Lloyd's in late 1982. It began to emerge then that Mr Peter Cameron-Webb and Mr Peter Dixon, the former managers of the PCW syndicates, had masterminded the mis-

appropriation of at least £40m of syndicate funds.

It later emerged that the syndicates were facing huge insurance claims, arising from underwriting of so-called "long-tail" North American casualty insurance, including a significant exposure to product liability risks.

The non-marine syndicates also had a big exposure to professional indemnity insurance written for large international accountancy firms.

Lloyd's is, however, believed to need only about £1.5m to meet the losses, after allowing for the former PCW syndicates' assets and investment income that can be earned before the claims have to be paid.

The PCW 1985 Committee, which represents 400 members of the three non-marine PCW syndicates, is now convinced that Lloyd's will ask the 2,300 PCW Names for a contribution of about £1.5m.

The bulk of this liability is expected to fall on the 400 non-marine Names. But it is thought likely that a sizeable minority of them will refuse to settle on Lloyd's terms and could try to sue Lloyd's itself and a number of bodies in the market including Minet Holdings, Sedgwick Group and Alexander Howden, the insurance broking groups.

Signs that a settlement was imminent appeared late last week, when representatives of the 30 members' agents involved held a meeting to discuss the PCW affair.

# Police bullion claims rebutted

By David Lascelles

SIR KENNETH NEWMAN, the London Metropolitan Police Commissioner, has come across some tough customers in his time. But the Old Lady of Threadneedle Street, alias the Bank of England, must surely top them all.

These two great guardians of probity were locked in verbal combat yesterday over the astonishing suggestion that the Bank was an unwitting accomplice to the Brinks Mat £26m gold robbery in 1983.

According to Sir Kenneth, the crooks had laundered their ill-gotten gains by drawing £13m in £50 notes from a small Barclays bank branch in the south-west of England.

Sir Kenneth told the Police Foundation in London on Monday night that the stolen gold was smelted with copper to disguise its purity.

Through a middleman it was then "impudently" sold back to original owners, Johnson Matthey, giving the thieves the problem of laundering huge amounts of cash.

The money was paid into a small country branch of Barclays Bank, and members of the gang, now serving long jail sentences, began to draw on it.

"In fact so many £50 notes, £13m worth, were drawn from the bank over a short period that there was such a rise in the number of notes supplied by the Bank of England in a month to its regional office in Bristol, that the point was reached at which the Bank was obliged to notify the Treasury," Sir Kenneth said.

Stung by the allegations, the Old Lady sprang into action. "None of this is true," it thundered through a press notice yesterday afternoon.

It went on: "There were no exceptional drawings of £50 notes from the Bank's Bristol branch during the relevant period. It follows that nothing was reported to the Treasury and that no extra notes were printed. It is therefore not surprising that no alarm bells rang."

A Bank spokesman agreed that it was most unusual for the Bank to take public issue with such a highly placed personage. But Sir Kenneth was wrong, and a strong reaction was considered necessary.

"The wording was chosen quite carefully," he said.

# Woolworths' 40% rise in profits confounds City forecasts

By Christopher Parkes, Consumer Industries Editor

WOOLWORTH HOLDINGS yesterday confounded City of London analysts and its own forecasts as it unveiled a 40 per cent increase in pre-tax profits for last year.

The £115.3m result exceeded the retailing group's predictions of last June, when the takeover battle with J. D. Widdows was at its height by about 10 per cent. Most City pundits had been expecting profits of around £105m.

"We have delivered," declared Mr Geoffrey Mulcahy, group chief executive. All divisions had advanced strongly and the prospects for future growth were "very exciting," he said.

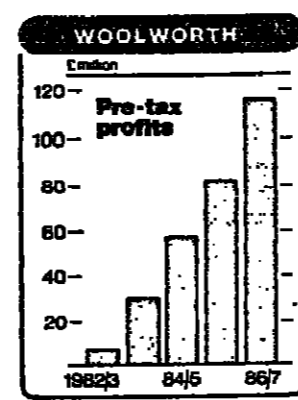
Woolworth, once the sick man of British retailing, has consistently improved its results since a group of City institutions bought it in 1982 from its US parent.

The out-dated variety store concept has all but vanished, and Woolworth is fast becoming a specialist in several key sectors.

"Retail specialism is the common thread through our group," Mr Mulcahy said. A pilot car parts and service business, tested in its B&Q do-it-yourself sites, is poised for rapid expansion through the pending acquisition of the Charlie Browns antecentre group.

The first of a planned chain of Kidstares - outlets devoted entirely to the needs of children from birth to 13 years old - will open in Ealing, west London, next week. The group plans to open a further three this year.

The abortive bid for Underwoods, the London-based chemist chain, recently gave a further indication of the direction chosen by the group. Much of last year's growth came from the fast-growing B&Q do-it-



yourself chain, which opened 29 new stores, increasing selling space by 1.5m sq ft. Expansion will continue at a similar rate this year, Mr Mulcahy said, forecasting a 300-store chain by 1990.

New management and merchandising in the Comet electrical business contributed to a 46 per cent increase in profits.

However, the most spectacular gains were recorded in the F. W. Woolworth retail stores, where profits rose 120 per cent last year.

"Operation Focus," a refurbishment and defined merchandising plan which cut out food, adult clothing and other non-core lines, has so far been implemented in only about 25 per cent of stores.

The full benefits were yet to come, Mr Mulcahy said. It was difficult to gauge the full effect of the changes, but, he claimed, the signs were that Woolworth's was attracting younger, more affluent shoppers.

In 1982, the average sale per customer was £1. In the worst of the new-look stores the figure was now more than £3 and close to £5 in the best, he added.

Lex, Page 26; Details, Page 33

# Norcross rebuffs Williams bid

By Clay Harris

WILLIAMS HOLDINGS, the British conglomerate, yesterday met an immediate rebuff when it launched its largest takeover bid, valuing Norcross, the building materials and printing group, at £540m.

The hostile bid had been widely expected after Norcross discovered that Williams had built up a 2.3 per cent stake and earlier this month rejected suggestions of a friendly merger. The latest offer, in new Williams shares with a cash alternative, is Britain's largest contested bid since the conglomerate BTR backed off in January from its £1.1bn pursuit of Pilkington, the glassmaker.

Williams, which has seen its market capitalisation rise from less than £500,000 to more than £350m in less than six years, said the bid was based on the commercial merit of combining the two businesses under its direction.

Williams pointed to particular benefits in consumer and building products. It feels that Norcross has

not taken sufficient advantage of UBM, the chain of builders' merchants it bought in 1983.

"Norcross' top management has lost its way," said Mr Nigel Rudd, Williams chairman. "It needs an injection of enthusiasm right at the top."

Mr Terry Simpson, Norcross' chief executive, said that claims of synergy between the two groups' products were "very tenuous and nebulous. It really is chalk and cheese. There is no comparison at all."

Mr Simpson rejected criticism of Norcross' management. Fresh ideas were being implemented throughout the group, he said, and, "we can't see what it is that they can possibly bring to Norcross."

In building products, where Williams' brands include Rawplating and Swiss, and Norcross' brands include Critall and Fernasec, Williams outlined a plan for joint promotion and development of new products. Norcross' Butterley engineering ac-

tivities, moreover, would fit well in to Feirey.

Williams praised Norcross' specialist printing and packaging activities as being in accordance with its own philosophy. It would "flourish within the Williams environment and benefit from Williams' acquisition skills."

Williams last week reported pre-tax profits of £22.5m on turnover of £201.1m in 1986. In its most recent full year, to last March 31, Norcross achieved pre-tax profits of £45.1m on sales of £639.7m.

Williams rose 2p to 752p yesterday. The terms of its offer of 29 Williams shares for 50 Norcross shares each Norcross share at 431p. On the stock market Norcross rose 20p yesterday to 425p.

Schroders and Barclays de Zoete Wedd, Williams' advisers, have underwritten the new shares at 400p to fund a cash alternative of 400.2p per Williams share. There is also a part alternative of convertible shares.

# BT endorses System X

By Terry Dodsworth, Industrial Editor

BRITISH TELECOM, the UK telecommunications group, gave a strong endorsement yesterday to the UK-produced System X digital telephone exchange when it announced its latest round of switching orders.

System X, the technology developed by GEC and Plessey, Britain's two leading electronics groups, will be used for 455,000 lines of equipment worth £24m under the terms of the new contract.

The rival System Y exchange provided by Thorn Ericsson, which was deliberately brought into the British supply industry to provide competition to the UK companies, has received orders for more than 70,000 lines valued at £8m.

The new orders are the tenth batch that have been placed by British Telecom since it began the process of converting its telephone system to digital exchanges.

## SIEMENS

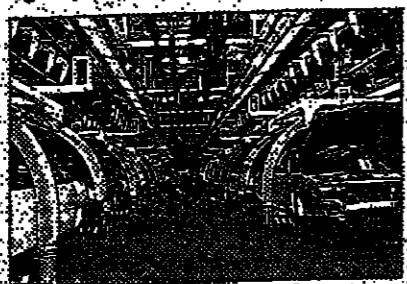
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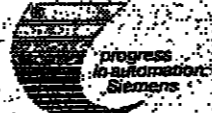
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25th March, 1987

## Haughey will stand by Ulster agreement

By Hugh Carnegie

MR CHARLES HAUGHEY, the Irish Prime Minister, yesterday gave his clearest undertaking to date that he will not seek to renegotiate the 1985 Anglo-Irish agreement on Northern Ireland, as he indicated he intended to when in opposition.

Mr Haughey, returned to office earlier this month, said he continued to believe that Article One of the agreement, which recognises the right of Northern Ireland to remain part of the United Kingdom so long as the majority there so wish, contravened the Irish constitutional claim to the whole island.

But he said in answer to questions in Parliament that his Fianna Fail Government accepted the accord as an international agreement entered into by the previous administration, led by Dr Garret FitzGerald.

"Article one is an integral part of a binding international agreement. As such it could only be changed by mutual agreement (with Britain) and it is clear that this would not emerge," Mr Haughey said.

His Government "will fulfil and operate the Anglo-Irish agreement" to the benefit of all people in Northern Ireland, especially the nationalist minority, he said. He confirmed Mr Brian Lenihan, the new Foreign Minister, would co-chair the Anglo-Irish conference with Mr Tom King, the Secretary of State for Northern Ireland.

The first meeting of the conference since the change of government in Dublin is expected early next month.

Last year, Mr Haughey strongly criticised the agreement, saying its constitutional implications were unacceptable and asserting that the lot of nationalists had deteriorated under it, not improved. He told journalists he would seek to renegotiate the pact.

Since then he has gradually retreated from that stance. Significantly in the light of strong American support for the accord he urged President Ronald Reagan in Washington last week that Fianna Fail would operate it.

## Shipowners urged to fit 'black box' recorders

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

SHIPOWNERS WERE yesterday urged by Lloyd's Register, the independent ship inspection society, to fit "black box" voyage recorders to their vessels, similar to those used in aircraft.

The society said it had successfully tested a prototype voyage recorder which could be put into commercial production "in a very short time."

The recorder would provide valuable information on the causes of accidents at sea, such as the capture of the vehicle ferry Herald of Free Enterprise off Zeebrugge two weeks ago.

Mr Roderick MacLeod, chairman of Lloyd's Register, called on shipowners to fit recorders voluntarily, despite the absence of international agreement on standards.

Compulsory fitting of voyage recorders could be ordered only by national governments or the International Maritime Organisation, the United Nations agency responsible for safety at sea.

Mr Tony Viner, Lloyd's Register's principal surveyor, said the proto-

type recorder developed by the society was undergoing final tests on its ability to withstand fire.

Mr Viner said prototypes had been operating for two years on board the Ellerman Lines container ship City of Plymouth and the Blue Star Line general cargo vessel Bonifacio.

The tests had overcome problems with data storage and recovery procedures which had made the development of recorders for ships more complex than those used in aircraft.

"We have developed a system whereby we can reduce the amount of data so that we can get eight weeks of data on one tape and still come up with sufficient information for an inquiry," he said.

The recorder was developed by Lloyd's Register as part of a research programme, partly financed by the Department of Transport. Similar research is being undertaken in West Germany and Norway, but Lloyd's Register's version is the only one known to be ready to enter commercial service.

Lloyd's Register officials, who were presenting the society's annual report, refused to comment on the causes of the loss of the Herald of Free Enterprise, except to confirm that all necessary structural surveys had been carried out.

Mr MacLeod said the society had a responsibility, however, to strive to prevent too great a divergence between public expectations of increased safety, and the capacity of industry to meet the costs.

"Even if absolute safety were achievable, it could not be assumed that the commercial world would be able or willing to accept the cost of achieving it," he said.

"If a society whose primary purpose is to promote safety suggests that the judgment of safety levels must be seen in relative rather than absolute terms, it risks being seen as avoiding its responsibilities or being indifferent to the risks to life or property or the environment."

"Nevertheless I believe this point must be firmly made if public reaction to marine casualties is to be kept in proportion," he said.

## London bus plan breaks down in China over spares and cash

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

AN AMBITIOUS plan to put hundreds of traditional London buses on the streets of China is on the verge of collapse because of financial problems and a shortage of spares.

United Transport International, the private company which masterminded the deal, says it may now turn to the municipal authorities in Berlin to provide more reliable surplus buses made in West Germany.

UTI, a subsidiary of BET, shipped two of London Regional Transport's Routemaster buses to China a year ago, and says they have been an enormous success with passengers in Peking and Guangzhou (canton).

The customers were delighted with them and they caused a big sensation, but the problem has been keeping them on the road," said Mr John Clymo, UTI's director of bus operations.

Mr Clymo said UTI had been unable to identify a reliable source of spares, either from LRT, which built the buses, or elsewhere.

He added: "I would be very surprised if we could go ahead with this. It was a good idea, but the problems are very considerable."

UTI has also run into problems caused by changing Chinese attitudes to advertising on the buses, which was originally intended to finance the deal.

"The idea was that as the Chinese did not have any hard currency, the buses would be paid for by giving the advertising rights to UTI," Mr Clymo said.

"That did not eventually find favour with the Chinese authorities - the main reason they ran into foreign exchange problems in the first place was a glut of

Japanese consumer goods, and they did not like the idea of us advertising similar consumer goods on these buses."

UTI is discussing a compromise deal with the Chinese authorities which would allow them to advertise on fixed sites around the two cities, but no decision has yet been made on whether this would be sufficient to finance a major programme of bus purchases.

Even if the financial details can be ironed out, it seems likely that the spares problem will prevent the export of any more of London's 1,958 operational Routemasters.

That would remove a big potential export market for LRT, which is replacing the Routemaster with modern buses which can be operated by a single crew member.

## Venture funds 'stimulate profits'

By Charles Batchelor

COMPANIES WHICH make use of venture capital funds experience rapid rates of growth in profits, turnover and employees, according to a survey published yesterday by the British Venture Capital Association (BVCA).

Venture capital funds, which provide loans and share capital to high-risk young companies, have had a significant impact on the UK economy in the relatively short time they have been operating in Britain, the study said. Venture capital has taken just six years to reach the same position it took its US counterpart 25 years to achieve.

The survey, the first of its kind, is intended to provide the association with strong arguments to put to the Government for the venture capital industry to be given sympathetic treatment in any financial or tax legislation.

The survey looked at 92 companies, all of which obtained a stock exchange or Unlisted Securities Market (USM) quote, between 1980 and 1986. Only nine were listed at start-up or at an early stage of development.

The rest were less risky late-stage financings or management buy-outs.

In the four years ahead of flotation, the profits of these 92 companies grew at an average compound rate of 35 per cent a year to reach an average of £2.1m in the year of flotation.

Turnover grew by 12 per cent a year to an average of £2m, while the number of employees rose by 21 per cent a year to an average of 576 per company.

High technology companies were on average low-making five years before flotation, but once they moved into profit average profitability grew at a compound rate of 85 per cent over the next four years.

Service-related businesses showed the strongest rate of growth in terms of employees, rising by an average of 49 per cent a year to an average of 788 employees per company. But the average number of people employed by management buy-out companies fell sharply in the two years before flotation.

Survey of the Impact of Venture Capital in the UK: BVCA, 1 Surrey Street, London WC2R 2FS, £150.

# How to set up a cellular mobile telephone system without any government money whatsoever.

Read how Comvik International, in cooperation with local partners in each country, sets up, markets and operates nation-wide, cellular mobile telephone systems.

**NOTE:** Comvik and partners provides *all* the money.  
 All the governments do is earn money.

COMVIK INTERNATIONAL is a company that sets up, markets and operates modern, cellular telephone systems in many countries. The modern system we use was developed by Comvik International, and is based on the '80's most advanced microchip technology.

Let us now tell you about the different advantages of our system, which together make our system more convenient for users than any other existing system.

### 7 major advantages of the Comvik approach:

- 1. Public sector money is not needed.**  
 Instead, authorities can use their money to maintain and further develop their existing telephone networks.
- 2. Rapid introduction of service: 6 months.**  
 Within 6 months after frequencies are assigned we will be ready to start operating. (Look at your calendar, count 6 months ahead, and then you can mark with a red "X" when the system will be ready to use!)

What's more, our system is modular, which means that operating capacity can be increased at the same pace as the market capacity increases. And no matter how steadily or how much both capacities continue to increase - no government money is ever needed.

**3. The governments earn money on the Comvik System.**  
 The Comvik System does not operate independently of the existing national telephone system - our system plugs into the existing system thus adding to the existing system's capabilities. Which, of course, provides extra income to the telephone company. It's that simple. And of course this extra income is generated without any investment on the part of the telephone company.

**4. Comvik will buy equipment from local manufacturers.**  
 Comvik is an operating company. We neither manufacture nor

sell telephone equipment. So in those countries where proper manufacturing facilities exist, Comvik and its local partners will transfer its technology to a local company and purchase equipment locally. This of course creates jobs and saves foreign currency - two extra advantages for countries using the Comvik system.

**5. Comvik is open to suggestions from host governments about its choice of local partners.**

We ask only that our partners enjoy financial health and have the best possible reputation.

**6. Comvik educates technical personnel so thoroughly that product and service development can continue in the host country.**

We will teach technical personnel everything we know about our system. We will hold nothing secret. Which means that technical experts in every country in which we operate can develop special applications specifically suited to local conditions. In Hongkong, for example, our local technical personnel developed the Comvik Systems to serve the needs of the various Hongkong taxi companies.

**7. Comvik International's experience is both extensive and varied because it comes from different countries.**

Thus, we know how to market not only mobile telephones but also mobile telephone service. Our goal is to give every market in which we operate a first-class mobile telephone system, a system specifically tuned to each market's individual needs. Anything less would be bad business for all of us. So we never provide anything less.

### Are there no disadvantages to using Comvik?

Yes, one.  
 But let us first answer some questions that always come up when we introduce our system:

#### A. Won't it be expensive for subscribers?

No. Despite the fact that the Comvik System gives subscribers more convenience than found in traditional cellular telephone systems, fees are no higher - and why should they be?

#### B. Are the assigned frequencies really used efficiently?

Of course, as efficiently as any other cellular systems.

#### C. Does Comvik want a monopoly?

No. In Sweden, for example, we compete with Televerket (the Swedish Telephone Company) with a license from The Swedish Government.

#### Now, getting back to our disadvantage - what is it?

Comvik is not a manufacturing company.

We are an operating company. So you can't buy our system - together with our local partners we operate the Comvik System ourselves in each of our host countries.

Of course the great advantage of this seeming disadvantage is that we alone are completely responsible for the functioning of our system to our subscribers' complete satisfaction and to the satisfaction of our host government.

One last question that is always asked us:

**How can Comvik International establish a system without any government funding when the traditional cellular systems need millions upon millions of dollars to build a nation-wide network?**

We don't need (or want) government money because of the modern electronic technology we use.

In fact, this modern technology costs so little that we need only 1,000 subscribers within 2 years to consider any market a worthwhile market. Of course the reverse of this is that less than 1,000 subscribers is not worthwhile.

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 Fax + 46 8 723 16 68.

Comvik International is a member company of the Swedish investment group Kunnevik, which is active within the paper, steel, engineering, electronics and communication industries.

#### Summed up:

- Comvik International is an operating company, pure and simple. We neither make nor sell equipment.
- Together with our local partners we set up, market and operate a modern, cellular mobile telephone system with a unique price performance.
- The Comvik System can provide jobs for local equipment manufacturers.
- Comvik, together with its local partners, provides the entire investment necessary to set up and operate the system.
- The Comvik System will begin to operate 6 months after we have been assigned our frequencies and have been licensed to connect into the existing telephone system.
- Comvik provides extra income to the government at no cost to the government.

If you will fill out the coupon below, we will be glad to send you more information about the commercial, technical and consumer aspects of our unique approach.

To  
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 Sweden  
☐ Please send further information  
☐ Please call me  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_  
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 Fax: \_\_\_\_\_

مكازم التحصيل

UK NEWS

# British Airways plans £1bn aircraft orders

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is planning a £1bn order for aircraft to replace its existing ageing fleet of 19 Lockheed TriStar airliners.

Decisions will be taken over the next few months as part of the airline's overall £5bn-£6bn re-equipment programme through to the early to mid-1990s.

The aircraft now being studied for long-range routes include the proposed four-engine A-340 version of the European Airbus, and the new US McDonnell Douglas MD-11 three-engine aircraft. British Airways would need at least 10 aircraft in this category to replace its medium-to-long-range TriStars.

For shorter routes BA is studying another existing version of the Airbus, the twin-engine A-300-300 and the US Boeing twin-engine 767. It would need at least nine aircraft in this category to replace those TriStars that it now uses on short-haul routes.

But the choice of engines is likely to be critical in determining what the airline buys. Ideally, it would like Rolls-Royce engines but the versions of the Rolls-Royce powerplants will be available at precisely the time the airline wants to have the aircraft in service.

For example, it could get the RB-211-524 engine for the McDonnell Douglas MD-11s, but whether it could get the most powerful version of that engine, the D4D, of around 60,000 pounds of thrust in time remains to be seen.

These critical factors are now being discussed between the airline, Rolls-Royce and the aircraft manufacturers, and the outcome of these discussions will have a significant influence on which types of aircraft the airline will eventually buy.

For the longer-term future, BA is interested in the proposed Boeing 777 150-seater airliner which may be launched this year, to fill a gap in its fleet, while it is also interested in a possible replacement for its ageing fleet of One-Eleven short-range jet airliners, either by the Dutch Fokker 100 or another version of the best-selling Boeing 737 jet airliner, the series 500, both of which seat around 100 to 110 passengers.

Decision on these latter aircraft, however, are longer term than the more immediate need to settle the TriStar replacement problem. A decision this year on the latter re-equipment programme is needed to ensure delivery of whatever aircraft is chosen by the early 1990s.

## Airline promises more aggressive marketing

BY OUR AEROSPACE CORRESPONDENT

THE NEWLY privatised British Airways intends to become more aggressively competitive, Mr Colin Marshall, its chief executive, said yesterday.

Privatisation had given the airline a new freedom, putting BA on a similar footing with Britain's other airlines. "We expect no favours, but then neither can any of our rivals," he said. "To put it bluntly, we are now purely out for the interests of British Airways."

"It will sometimes mean forging new partnerships, to enable us to

capitalise better on certain initiatives. And we will be free to diversify when appropriate opportunities arise."

But he emphasised that the Government had a role to play in ensuring that its policies did not restrict BA's expansion. "We face competition worldwide, from the major US domestic and international airlines, from highly efficient Far Eastern carriers and heavily-subsidised European airlines."

"We will be competing from a position of strength," he said.

## Accused 'tried to dupe bond investor'

Financial Times Reporter

TWO SWISS businessmen tried to dupe a West German investor into parting with Sfr 8.5m (£3.4m) for fake bearer bonds, Southwark Crown Court in south London heard yesterday.

Mr Walter Isenschmidt, 43, and Mr David Schindler, 44, set up a company called Chase Manhattan Corporation Ltd, based at rented offices in Regent Street London, and then "attempted a clever but simple fraud," said Mr David Paget, prosecuting.

"They had bearer bonds expertly printed worth an enormous sum of money on the face of it, but in fact they were worth no more than the paper on which they were printed," Mr Paget said.

Mr Isenschmidt and Mr Schindler pleaded not guilty to four allegations of fraud committed between June 28 and July 18 last year.

Mr Paget told the jury that the two men advertised in West German newspapers for investors with at least Sfr 100,000 to put the money in bonds paying 14.5 per cent yearly interest.

A merchant banker, Mr Genter Gaertner, "thought the offer was too good to be true," and telephoned the London number given.

Mr Isenschmidt gave Mr Gaertner the impression that the bonds had been issued by the American Chase Manhattan Corporation.

In fact, the two businessmen had employed a printer, who specialised in ultra-violet printing to create the bonds, which closely resembled the real thing. "Gaertner was obviously interested and had Sfr 8.5m to invest, but, being a cautious and prudent man, he said he wanted a recognised bank to certify that they were, in fact, Chase Manhattan bonds," Mr Paget continued.

The two men were arrested on July 15 last year when they took their bonds to Lloyds Bank. The trial, which is expected to last for two weeks, continues.

## Extradition of former Parrot chief sought over fraud allegation

FINANCIAL TIMES REPORTER

MAGISTRATES HAVE granted an extradition warrant to bring a US lawyer to Britain for questioning on an alleged fraud involving millions of pounds of taxpayers' money.

A Director of Public Prosecutions (DPP) spokesman yesterday said that Mr Frank Peters, 38, former head of the Parrot Corporation computer disk company, would face four charges of theft by deception involving "substantial" sums and two charges of forgery.

The move follows nearly two years of investigations by police to unravel the affairs of Parrot which operated from an industrial estate at Cwmbran, South Wales.

Several million pounds were put into the project in January 1984 by the Government's Welsh Development Agency and City of London institutions. The £3m investment

package was then the biggest of its kind.

The high-tech company ran into trouble in April 1985 and had to be rescued from collapse by Mr Nicholas Edwards, Welsh Secretary, with a further £3m of public money.

Mr Peters, now based in Chicago, returned to the US shortly after being ousted from Parrot in a boardroom coup. A private sitting of Cwmbran Magistrates yesterday began hearing the application to bring back Mr Peters to stand trial for alleged fraud. Yesterday the DPP spokesman said the necessary papers would now be prepared to present to US legal authorities in the next step toward extradition.

In press interviews, Mr Peters has maintained his innocence and has previously claimed he offered to return to Britain to help police,

## Vauxhall launches three high-performance cars

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS is launching three high-performance, "image-building" Vauxhall cars in the UK today to help achieve its aim of keeping 16 per cent of the new car market in 1987.

The most important newcomer, in terms of volume sales, is the Astra GTE which the company claims can accelerate from 0 to 60mph in 8.7 seconds and has a top speed of 127mph.

Most important in image terms is the Carlton GSI 3000 saloon, top-of-the-line model in the Carlton range which was voted 1987 "Car of the Year".

Mr John Bagshaw, Vauxhall's chairman, says the computer software problems which held back early production of the Carlton (sold in the rest of Europe as the Omega) at GM's Russelsheim factory in West Germany have now been solved.

Vauxhall is also introducing today the Cavalier SRI 130 models with a top speed of 120mph and acceleration from 0 to 60 in 9.5 seconds. Mr Bagshaw expects Vauxhall to sell 5,000 to 6,000 of the new Cavaliers this year.

Prices: Astra GTE, £9,500; Cavalier SRI saloon, £9,999, hatchback £10,199; Carlton GSI 3000 £16,999.

هكزامن الاصل

# HongkongBank

The Hongkong and Shanghai Banking Corporation  
Incorporated in Hong Kong with limited liability

## Ordinary Yearly General Meeting

Notice is hereby given that the Ordinary Yearly General Meeting of the shareholders of the Bank will be held on Level 18, 1 Queen's Road Central, Hong Kong, at 3.00 pm on Tuesday 12 May 1987 to transact the following ordinary business:

- 1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1986;
  - 2 to elect Directors; and
  - 3 to appoint Auditors and fix their remuneration
- and by way of special business to consider and (if thought fit) pass the following Ordinary Resolution:
- 4 That a general mandate be and is hereby given unconditionally to the Directors to issue and dispose of additional shares provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong) or (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Regulations of the Bank, the additional shares issued and disposed of shall not in aggregate exceed one per cent of the issued share capital of the Bank;
- and the following Special Resolution:
- 5 That in accordance with the provisions of Section 4(2) of The Hongkong and Shanghai Banking Corporation Ordinance, The Hongkong and Shanghai Bank Regulations be amended as set out in the Schedule to the letters to shareholders dated 27 March 1987, a copy of which is submitted to this Meeting and signed by the Chairman for the purposes of identification.

By Order of the Board  
R G Barber  
Secretary

Hong Kong, 24 March 1987

Notes:  
(1) The Register of Shareholders will be closed from 31 March until 22 April 1987 (both dates inclusive). In order to qualify for the right to vote, the capitalisation issue, and the special interim dividend announced by the Directors on 10 March, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 pm on 30 March 1987.  
(2) None of the Directors has a service contract with the Bank of more than one year's duration.

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and sub-contractors. But having chosen, we pay fast — something our many excellent suppliers can respond to. Above all, our reputation for quality has enabled us to build a first-class team of dedicated people. In land-buying — the foundation of any cost-effective building programme — our management know-how and expertise are second-to-none. Thanks to our designers, we now offer over thirty types of housing, to cater for all tastes and needs, from £44,000 upwards. Nearly a thousand specialists and craftsmen of all kinds work for Charles Church. Perhaps the most desirable feature of our houses is the quality these people put into them.

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facts

from parliament to the streets... showing them down

year

per cent to 10.1... from 10.0

based in part... of over 100

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Television/Christopher Dunkley A nice little earner in independent news

This column predicted a couple of years ago that the television screens would be flooded with... it is upon this now, albeit in an unforeseen form. Instead of dramas and comedies actually set in the fifties, we are seeing modern settings full of people who yearn for the fifties, or simply pretend that they never ended.



Whiff of nostalgia: Robbie Coltrane in "Tutti Frutti"

Running Wild for instance is an ITV sitcom starring Ray Brooks as a middle aged rocker whose briefest attempt at giving puts his back out. The series would be more enticing if the writer had not decided it would be terrifically funny to give stereotypical female traits to the male lead, making him flighty, romantic and sentimental, while doing the reverse for the female lead, making Janet Kay tough, independent and cynical. So many recent sitcoms have used the same gag that the reverse stereotype has itself become tediously hackneyed.

Tutti Frutti is altogether better piece of work. This story of an unconstructed fifties rock group, now teetering on the brink of middle aged senility but still toting the Scottish highlands and islands, began slowly and shows little sign of accelerating. But it grows on you. As with several of the BBC's best comedies (A Peculiar Practice and Don't Forget To Write for example) Tutti Frutti is made in 60-minute episodes by the drama department and nobody has gone through it inserting inappropriate explosions of marital laughter. The humour is consequently able to emerge from style and character, above all that of Danny McElane played by the splendid Robbie Coltrane.

There are those who have always maintained that the BBC's bias against the independent is really a wordy way of saying "Let's make long boring programmes instead of short interesting ones." and Birt's creation, Weekend Update, seems to give ominous credence to that belief. But if you consider some of the other current affairs programmes produced under his aegis at LWT—from the one-off Tomorrowland to

the excellent series South of Watford—it can be seen as a far more subtle and sophisticated. I hear that Margaret Thatcher and John White, Director-General of the IBA, are both interested in the idea of "privatising" ITN. If the Conservatives win the general election it will be no surprise to see steps being taken towards a truly "independent" television news company. Jeremy Isaacs, Chief Executive of Channel 4, is interested too. He reckons that if ITN goes independent its programmes could then count towards the 25 per cent independent quota which the Government wants all British broadcasting organisations to undertake. One of the worries about the idea is whether ITN could sustain the remarkably high quality of its programmes once it found itself obliged to deliver not only news but a dividend.

Three Sisters/Greenwich

Michael Coveney's translation was first seen at the Royal Exchange, Manchester, two years ago, and arrives at Greenwich in a new production by Etjah Moshinsky, cast up to the nines (on paper at least) and most handsomely designed by John Bury. But the first impression is one of unevenness, erratic rhythm and peculiar tempi. The show is not a patch on the best of recent revivals, those of Jonathan Miller and Trevor Nunn.

It is not just a matter of the wayward moustache, although the wayward moustache of the hating teacher Ruligin threatened to undermine the whole evening. David Allister realised his "task" was anticipating its demise by a couple of acts and most handsomely designed by John Bury. But the first impression is one of unevenness, erratic rhythm and peculiar tempi. The show is not a patch on the best of recent revivals, those of Jonathan Miller and Trevor Nunn.

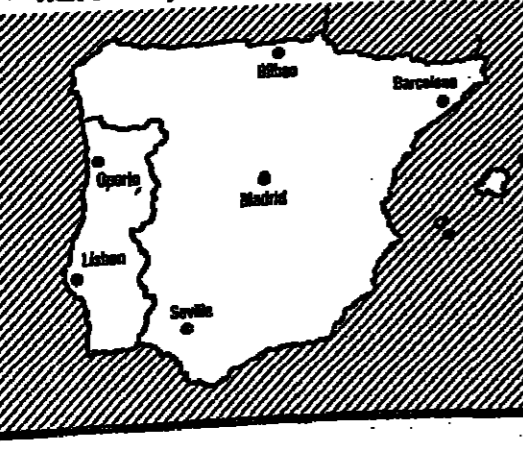
On the credit side, Cathryn Harrison's upstart Natasha is genuinely original, eschewing coarse cliché as she moves to the centre of the Provost's household, doing her reflex duty in calling for a charitable fund after the fire and asserting her domestic status with a chilling bark at Elizabeth Bradley's ancient, crumbling retainers: "Get up; get out." Peter Sallis is the doctor Chebutykin, suddenly drunk after two years on the wagon, and pitifully resigned to evenness else's tragedy (although Dr Miller's

Joanne Whalley, Ian Ogilvy, Katherine Schlesinger and Sara Kestelman

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Arts Guide

March 20-26

Theatre NETHERLANDS Amsterdam, Bellevue Theatre. The English-speaking Theatre. The production transferred to the West End from HammerSmith, Nurea Espect, veteran Spanish actress/director, has created a high-culture... LONDON Les Liaisons Dangereuses (Ambassadors) Christopher Hampton's masterly version of Les Liaisons Dangereuses is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's... TOKYO Kabuki (Kabuki-za). A dance-drama, Kameo, is the most appealing in the... NEW YORK Cats (Winter Garden). Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually stunning and choreographically fine, but classic only in the sense of a rather staid and overblown idea of theatricality. CHICAGO Pump Boys and Dinettes (Apollo). Century's look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils, proved to be a... WASHINGTON Citizen Tom Paine (Kenneth). Richard Thomas stars in popular historian Howard Fast's look at the... 40th Aldeburgh Festival The 40th Aldeburgh Festival runs from June 12-23, with 51 events and five exhibitions.

## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF  
 Telegrams: Finantime, London P84. Telex: 8954871  
 Telephone: 01-245 8000

Wednesday March 25 1987

# Brandt - great man's sad exit

A GERMAN adage well describes the plotter who enforced the sudden exit of Mr Willy Brandt as leader of the West German Social Democratic Party. They belaboured the donkey. The row that caused the former Chancellor to relinquish party office was only ostensibly about a non-party member whom he had proposed as party spokesman. In reality it was the climax to long seething discontent with a great man who had outlived his usefulness.

Mr Brandt's claim to fame is based primarily on the Ostpolitik of his spell as Foreign Minister and subsequently Chancellor from 1969 to 1974. It created a modus vivendi between Bonn, East Berlin and the rest of eastern Europe and was a key element in the East-West détente of those days. In reality it was the climax to long seething discontent with a great man who had outlived his usefulness.

Important though it was, Ostpolitik does not encompass Mr Brandt's positive contributions to the history of Germany and of Europe. As a forceful mayor of West Berlin he more than once controlled potentially dangerous outbursts of passion in his city, most significantly in 1961 when the East Germans built the wall separating it from West Berlin. It was a moment when intemperate action could have endangered peace.

## Widespread reform

When, as Chancellor, Mr Brandt went down on his knees at Auschwitz, the scene of nightmarish Nazi cruelties, he set a signal which marked a milestone on West Germany's return to its place in the community of nations.

At home his chancellorship was a period of widespread reform and of completing the welfare state. It fired the imagination of the young and of a normally unsocialist centre but it also bore in itself the seeds of its own decay. Not only did the ever-expanding demands of welfare go

beyond the bounds of what was financially sustainable. More important, the West German reformers—like so many of their fellows elsewhere and in other periods of history—ran out of steam when their reforms had been largely achieved. The joke that Mr Brandt's Social Democratic successor as Chancellor, Mr Helmut Schmidt, was the best Chancellor the Christian Democrats could ask for, neatly illustrates the dilemma.

The closest parallel to the Brandt story is that of Dr Bruno Kreisky, the former socialist Austrian Chancellor who led a successful reformist government but then lost direction and, last year, surrendered the honorary chairmanship of his party after finding himself at loggerheads with the rest of the leadership. In France things went slightly differently. But there, too, after expending its first reformist ardour, the Mitterrand regime changed course and applied economic prescriptions that might equally have come from a bourgeois party. The electorate read the signs and put the non-socialists back into power.

## Limited resources

In the new phase of more limited resources and of long fought for reforms accomplished, Mr Brandt—and others in West Germany and elsewhere—failed to produce a new agenda to restore dynamism to his party. His flirtation with the ecologists and the peace movement, though an attempt to bring malcontents back into the mainstream, exposed his party to the danger of association with ideas endangering his country's security and industrial future. Moreover, it infuriated the traditionalist Social Democratic right which became the main force behind his ouster.

The nomination of Dr Hans-Jochen Vogel as Mr Brandt's successor suggests that the traditionalists will now assert themselves. But the acquiescence of the left under Mr Oskar Lafontaine in the attack on Mr Brandt suggests that battle for the party's soul has barely been joined. For the time being West Germany, and some other countries, will have a divided and ineffectual left.

# Bank conflicts unresolved

SIR GORDON BORRIE, the Director General of Fair Trading, may seem a rather unlikely ally for Britain's clearing banks and building societies. But they will undoubtedly seek to draw maximum propaganda advantage from his verdict on the Securities and Investments Board's draft rule book. In essence, Sir Gordon has told Trade and Industry Secretary, Mr Paul Channon, that the rules on "polarisation" will make for a less efficient market. That is to say, he believes that there will be a reduction in competition if the SIB continues to insist that people who sell insurance must choose between selling their own products exclusively, or selling everyone else's products except their own to ensure genuinely independent advice for the buyer.

The banks would be unwise, however, to treat this as a substantial victory. Under the Financial Services Act, the Director General's job is to pronounce only on the specific issue of competition. It is for Mr Channon to decide, first, whether Sir Gordon is right, and second, whether sound reduction in competition is justified in the interests of investor protection. As Sir Gordon himself remarked yesterday, it would have been remarkable if a comprehensive overhaul of the rules governing the investment business had not had some implications for competition. And there is good reason to question whether polarisation will have as damaging an effect on competition as he claims.

## Lack of faith

The banks and building societies have argued that if their own managers are debarred from giving advice on other companies' life assurance products, a well established source of local advice will cease to be available to the public, especially in rural areas. Moreover, they are unlikely to abuse the potential conflicts of interest, the bankers claim, because the banks have too much at stake in the long term relationship with the customer.

These arguments are accepted by the Director General. Yet they seem to imply a marked lack of faith in market forces. There is fierce competition in the financial advisory

business and it is not confined to banks, building societies and insurance salesmen. Accountants, solicitors and other independent intermediaries—who are well represented in the country—will all be tempted to step into the banks' shoes if the banks choose to promote their own products exclusively, just as long as the business is profitable, which it shows every sign of being.

In a climate of deregulation, there will also be increasing pressure on banks to adopt hard selling techniques in order to generate fee income as their basic business of borrowing and lending becomes less profitable. It will be all the more intense where bank and building society managers are rewarded in relation to their performance.

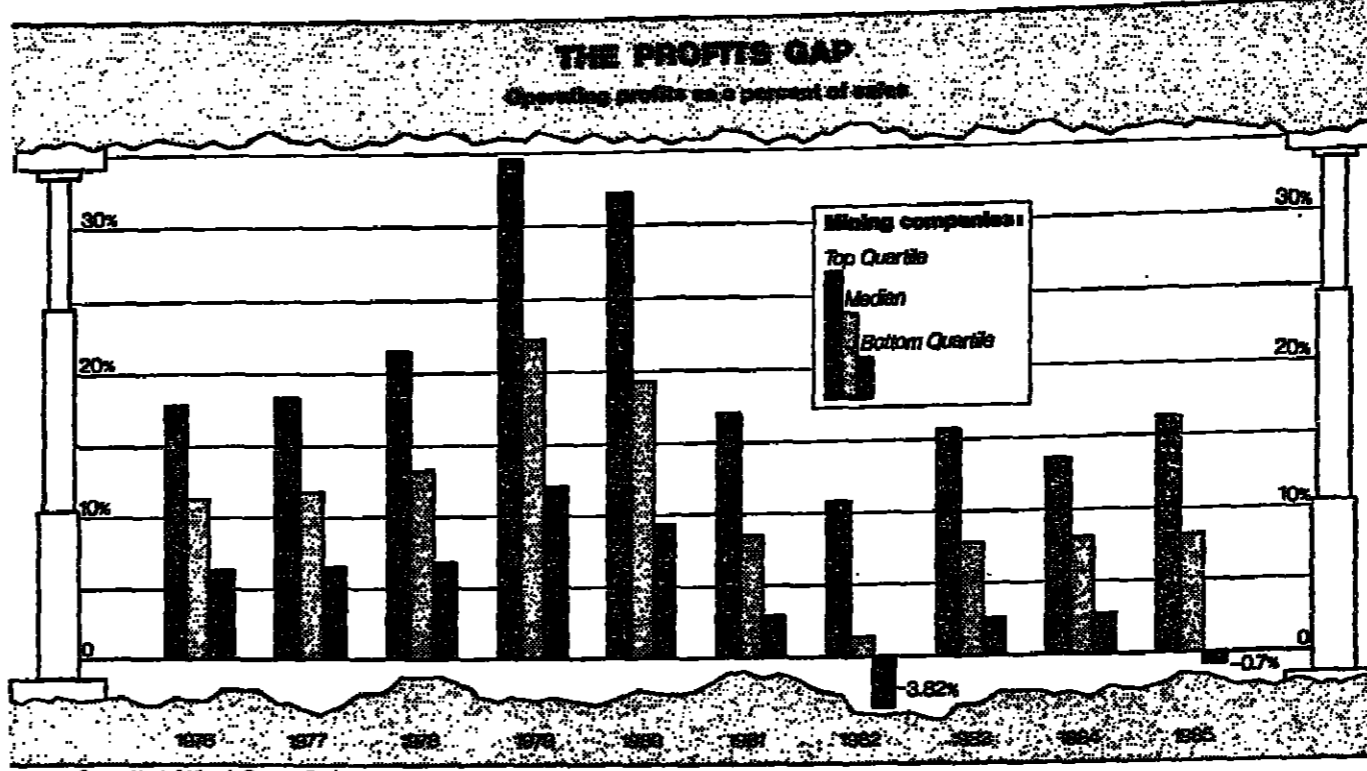
## Under review

The loss of advice whose impartiality is open to question severely amounts to a threat of loss of competition. The real question is why the SIB has not chosen to regulate this potential conflict of interest through a policy of disclosure. Sir Gordon provides a partial answer implicitly, in stating that he wants to keep under review those rules which allow insurance salesmen not to reveal their commissions and insurance companies not to disclose the level of expenses attributable to their policies. Here is the real constraint on competition and choice.

Where Sir Gordon may have a point is in suggesting that polarisation will add to the competitive edge of the life assurance companies, whose success will depend as much on the size of their sales force as on the quality of the products they sell. Yet this would be less of a problem if the SIB had taken a firmer stand on the more important issues relating to disclosure of commissions and expenses.

To that extent Sir Kenneth Berrill, chairman of the SIB, is fighting the wrong battle. But in the absence of adequate disclosure the Secretary of State should acknowledge that a strict polarisation of company representatives and independent intermediaries is probably essential. Without that endorsement, the SIB's credibility will be, in addition, seriously damaged.

# Plunging commodity prices have had dramatic effects on mining companies. Now Stefan Wagstyl reports, some are prospering, others are going out of business



# Mining comes back from the dead

differences among base metal producers—the effectiveness of cost-cutting programmes; exposure to debt; and the extent of diversification. The industry's difficulties stemmed directly from over-hasty investment in new capacity in the 1970s, prompted by inflation-boasted commodity prices and by expectations of future shortages of raw materials. Swelling profits allowed managers to sanction pay rises and mounting levels which later proved hard to claw back.

Several groups made matters worse for themselves by borrowing heavily to build a new generation of mines only to be caught out by the conjunction of low prices and high real interest rates in the 1980s. After some hesitation, the industry cut costs to the core, particularly in the US where a rising dollar in the early 1980s compounded the miners' hardships. Phelps Dodge, the copper company, led the way, cutting the workforce in its operations in the Western US by two-thirds to 2,500, closing three out of four smelters and one out of three mines. At the same time, output at the remaining sites was boosted to record levels.

Phelps endured a bitter strike in 1985 to secure output from its multi-metal complex at Mount Isa, Queensland. Some 4,600 workers are shifting 10m tonnes of ore a year, when 5,700 moved only 4m tonnes a few years ago. However, low-cost production cannot on its own guarantee

prosperity, if profits are consumed in repaying borrowings. Inco barely broke even last year despite running one of the world's most efficient mines at Sudbury, Ontario. Interest payments on debts of just under \$1bn all but eliminated profits. Nevertheless, there have been some stunning productivity improvements, resulting from more efficient (that is

is risky. Mining companies have often lacked the skills to manage non-mining businesses—Consolidated Gold Fields lost money building industrial interests in the US which it later sold off. Even in other extractive industries—in coal, oil and gas—metal mining companies have made mistakes, particularly in timing their investments. MIM carries the heavy cost of an investment in Queensland coal made before the fall in energy prices.

Base metals companies seeking to diversify have had one lucrative alternative in the 1980s—gold. In some cases, only the rapid development of new gold mines has saved major groups from serious financial difficulties.

The bankers of the hard-pressed Canadian company Noranda might well have been less patient if the copper, zinc and tin group had not secured a stake in Hemlo, the biggest North American gold discovery this century.

In the rush for gold, some groups have almost turned their backs on investment in base metals. But gold has fuelled the rapid expansion of a new generation of gold mining companies, some of which are looking to channel investment into base metals—among them Teck and Australia's Pancontinental Mining. With a little encouragement from base metal prices, they could be joined by more.

Established base metal companies are also continuing to invest, albeit selectively. Even when times are tough, pro-

ducers must ensure that they control sufficient ore reserves to keep going for ten to 20 years. For example, RTZ, which has made great play of developing its industrial interests, has not neglected base metals. It has bought stakes in two of the most important undeveloped copper deposits—Escondido in Chile and Neves Corvo in Portugal. Base metals accounted for almost 2400m of the \$750m the group and its main associates spent last year on capital schemes.

Meanwhile, BHP announced earlier this year that it was going ahead with a new lead-zinc mine, albeit a modest one, in northern Western Australia. In this context it is not surprising that strong groups are on the look-out for the cut-price second-hand assets which are up for sale in the industry, particularly in North America. When Kennecott, the copper producer owned by Sohio, BP's US associate, put its modernised Arizona copper mines up for sale last year it found willing buyers in Phelps Dodge and Asarco.

The change of control at Cominco is a much larger move in the direction of consolidation. Canadian Pacific, the debt-laden conglomerate which was the mining group's largest shareholder, has sold its management a fairly free hand. But it lost patience after Cominco's debts spiralled to over \$5bn in a succession of last-minute years. Teck and its partners, Metallgesellschaft and MIM, both significant shareholders in Teck, paid \$270m to buy a 31 per cent stake in Cominco.

The deal made the partners the world's largest combined producers of lead and zinc. They also brought together control of the best of the undeveloped deposits—Cominco's Red Dog, in Alaska, MIM's Hilton, in Tasmania, owned by Cominco's Australian associate Aberfoyle.

When Dr Norman Keevil Junior, the Teck chairman, took his seat as chairman of Cominco, it showed how vulnerable a poorly-performing group might be and the opportunities which might lie ahead for aggressive companies.

Mr Heinz Schimmelbusch, a member of Metallgesellschaft's executive board, says: "We have to look at all the options for restructuring, including the inter-company and international ones. It is no use telling investors we have fired the PR department."

Metal company profits will continue to be greatly influenced by metal prices—it can be otherwise in a commodity market. And many mining companies do not expect prices to recover until the 1990s, as slow industrial growth eventually brings consumption closer to production capacity.

It seems highly unlikely that the industry will be rescued from recession by a sudden rise in prices—a long drawn-out battle is in prospect for companies, strong and weak. Mr Schimmelbusch says: "I would say the metal industry will be back in shape in 1989-90... By the 1990s, a generation change will be in place. Not every producer is a producer today will be a producer then."

## Hong Kong

### plan grounded

One of the first efforts by Sir David Wilson, who arrives in Hong Kong in two weeks' time as the territory's new governor, to steer public opinion fell embarrassingly flat yesterday. A combination of mechanical failure and bad weather ruined plans to give local pressmen a helicopter tour of the Chinese border.

The idea had been to fly the journalists to the border, where the Coldstream Guards are currently performing patrol duties, for a briefing from David Jeffries, Hong Kong's security secretary. The purpose was also to draw attention to a recent spurt in attempted border crossings by the 14,000 illegal immigrants from China. On an initiative that apparently came from London, Jeffries was briefed to rattle a sabre in China's direction for not doing enough to curb illegal migration. And to signal loud and clear that rumours being circulated by racketeers, that the incoming governor would offer an amnesty to illegal immigrants, were groundless.

Unfortunately, a briefing that should have taken place on the banks of the Shenzhen river (which separates the Chinese special economic zone of that name from Hong Kong) with a background of soldiers in combat gear for colour, had instead, to be staged in Hong Kong city.

One helicopter broke down, and a second was grounded because of poor weather conditions. After a long wait at the take-off pad the trip was called off and Jeffries briefed the journalists on the windy hard waterfront.

Over 3,600 illegal immigrants have been snared at the border since the start of this year, it appears. That is twice the flow during the first three months of last year. But it is still a small number compared with the 1,000 a day who used to flood into the territory in the late 1970s.

Jeffries blames the increase on the mild winter weather, and

## Men and Matters



its message, "stop calling this place a dump."

The entry that earned the champagne prize, however, is our old friend SDI in the nuclear waste context it would stand for "scissile debris incineration."

It opens up a delicious prospect of legislators not knowing precisely which SDI they are talking about. The press is expected to compound the confusion by starting to talk about a strategic dump initiative—even Waste Wars.

## Snap claim

The Russian Compensation Fund which will consider claims from bond holders until the end of this month has had 12,000 requests for application forms so far, and nearly 3,000 forms have been returned.

One applicant is clearly from an accident-prone family, I hear from Price Waterhouse, the accountants administering the fund. He reports that his only surviving relative associated with the original claim was eaten by a crocodile, while the documents were destroyed in a tornado.

## Happy return

The ITV companies were deeply shocked when Robert Phillips, managing director of Central Independent Television, accepted a £150,000 a year offer from Michael Green, the chairman of Carlton Communications, the fast-moving television services company.

But Phillips did not away from Central for long. He attended the January board meeting of the Midlands ITV company. There was no meeting in February. Tomorrow a recommendation will go before the board that Phillips should once again become a Central director. He is unlikely to be rejected, and expects to be working for the company again very shortly—having missed just one board meeting.

The reason for the happy return is that Green has asked Phillips, who is his new group managing director at Carlton, to represent him on the Central board following Carlton's purchase of a 20 per cent stake in Central from Ladbroke.

## Washed up

When the Lloyd's Register of Shipping annual report was presented at a London press conference yesterday by chairman Roderick MacLeod, the usual reference was made to goods and wreckage under the traditional categories—jetsam, jetsam, and jetsam.

A loud whisper was heard from a young reporter: "Are they a firm of solicitors."

Observer

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# Mozambique: disaster fatigue

MAGANJA da Costa, a pretty, Portuguese-built district capital in Mozambique's Zambezia province, is typical of a country emerging as Africa's latest disaster story.

The thousands of war refugees whose huts are clustered on newly-planted smallholdings around the town are dressed in sacks or rags. They have virtually no food except the coconuts and fruit they can gather in the bush. Landmines and ambushes, laid by right-wing rebels of the Mozambique National Resistance (MNR), are a constant danger to those venturing out of town to forage for food, despite the efforts of a handful of soldiers and barefoot militiamen.

Hungry and half-naked, these people are probably more fortunate than Mozambicans in more remote, rebel-occupied villages whose fate is unknown. The Government in Maputo and international aid agencies are aware of the plight of Maganja. The town is accessible by air and by sea, and medical food and clothing are available to help them.

Few things are easy in Mozambique which, perhaps more than any other African country, demonstrates how difficult it is to operate in a society where war, economic decay and bureaucratic mismanagement are so entrenched that the modern economy has almost ceased to exist.

The task of rebuilding Mozambique is daunting. Of the population of 14.4m, about 8.5m are thought to be at risk from hunger caused by war and drought, and 250,000 of these have taken refuge in neighbouring countries. Nearly half the population is under 15 and the UN puts the mortality rate of infants and young children at one in three.

An expanded, co-ordinated programme of emergency assistance is urgently required, UN Secretary-General Javier Perez de Cuellar said in a special appeal for Mozambique at the end of last month.

Since Mozambique's Marxist Government took over from the departing Portuguese colonists in 1975, the country has suffered a catastrophic sequence, including the erosion of Portuguese skilled workers, destabilisation by white Rhodesia and then South Africa, and a largely drought-induced famine which killed an estimated 100,000 people in the early 1980s.

In the hospital in Quelimane, in the west next to those who have been killed by bullets and mines, pitifully thin, 18-month-old Marcelino Jose is on a drip. He is suffering from the worst stage of malnutrition.

helped by Zimbabweans, Tanzanians and Soviet advisers — have regained control of the coastline and parts of the Zambezi valley.

Zambezia, Mozambique's most fertile and populous province, remains in desperate straits. Maganja da Costa, many of its buildings charred or pockmarked by the rebel attacks of previous years, lies 100 kms north of the provincial capital, Quelimane, but is inaccessible by road because of landmines and sabotaged bridges. The only means of transport is an old tractor (with a leaking radiator) and its trailer, which is used to distribute what food aid there is — and serves as the official car of the district administrator.

Going shopping and telephoning the outside world are things of the past. Electricity is no more than a memory, for the generator has run out of fuel. The clinic is desperately short of drugs and food to treat the severe malnutrition and diseases which decimate the population. It has no soap and no sheets. Relief in the form of more than 300 tonnes of maize and a ship, did arrive in Maganja recently, but the ship left after waiting four days with only a tenth of the cargo unloaded. Aid workers blamed inefficient local officials. Local officials blamed intractable transport problems. Maganja is 35 kms from the sea and the sacks of maize have to be taken ashore in a small boat, towed 15 kms to a river by a borrowed tractor, ferried in canoes up the river and finally transferred to Maganja's ageing vehicle for the final few kilometres into town.

At Quelimane's rundown port on the inappropriately named River of Good Omens, the unloading of food aid — maize, beans and oil — proceeds at a tortoise pace. Some of the food is pilfered by workers and government officials, or bagged by the officers of military gunboats who have no food of their own.

Nearly seven new Volvo lorries, donated by Canada, have been standing idle because of problems with their papers. With only two aid trucks operational in the whole of Zambezia, they are desperately needed to bring in eight months' worth of supplies to the frustration of aid workers who accuse the UN of dragging its heels.

In the hospital in Quelimane, in the west next to those who have been killed by bullets and mines, pitifully thin, 18-month-old Marcelino Jose is on a drip. He is suffering from the worst stage of malnutrition.



his flesh torn and swollen from lack of vitamins and protein. Children defecate in the yard right outside the wards, the open kitchen. Water has to be fetched from a nearby street pump because the city's water system has failed.

Mozambique's problems are not new, but they are becoming more serious. Already there have been isolated reports of starvation, although "it's not Ethiopia" is the truism on everyone's lips in Maputo.

The victims of the war, says Sheila Githmann of the American organisation CARE, which is helping the Government co-ordinate its relief efforts are "malnourished, widowed, raped, mutilated, terrorised and shocked. The children are the worst."

"A Mozambican can survive on eating roots and berries, but at what level of existence? The people have lost dignity. They have lost their land. They have no clothes, no cooking pots, no soap. They wear tree bark, they go nude, especially in the north where they have no school because they have no clothes. Women hide in their homes because they have nothing to cover themselves with."

Such a disastrous situation requires a co-ordinated response from the Mozambique Government, donor nations and the more than 30 aid organisations working in the country, but co-operation is not always forthcoming. Donors, while accepting that there is a shortage of skilled managers in Mozambique, complain bitterly about the snail's pace at which official business is often conducted. Vehicles may take months to register before they can be used, planes for airfreight of aid have sometimes been mysteriously withdrawn at the last moment.

Theft of aid is treated more leniently in a country where subject poverty is the norm. "You can't expect a man without shoes to unload shoes all day and not end up with a couple of pairs himself," says the head of one aid organisation.

The difficulties of distributing aid in Mozambique can hardly be overestimated. Information on population and nutrition is scarce, and in the field it is hard for the inexperienced to judge the difference between an acute crisis and the permanent crisis which dogs the life of Africa's poor.

Even when there are local surpluses of food, it often fails to reach the needy because the farmers have no incentive to exchange their produce. In remote areas money is worthless because there is nothing to buy. Helped by aid agencies, the Government is starting to fly in consumer products, such as soap, to exchange for food which can then be distributed elsewhere.

But Mozambique's marketable surplus of maize and rice is expected to be only 60,000 tonnes or less for the 1986 season, the lowest for more than 30 years. The country needs to receive 655,000 tonnes of cereals in 1987, of which just over half has already been pledged, according to the UN. It estimates that Mozambique needs a total of more than \$244m (£152.5m) in urgent assistance this year.

Food, of course, is not the only concern. With the Government's vaccination programme hampered by war and shortages, disease—including tuberculosis, measles, bilharzia, polio, malaria and cerebral disease—is taking its toll on a population weakened by hunger.

There is a donors' conference for Mozambique in Geneva at the end of the month. The citizens and governments of the west—confronted with haunting television pictures of the hungry and appeals from group such as Oxfam and Save the Children—will doubtless give some of their plentiful resources to Mozambique.

A few aid workers are pessimistic. "Our donors are tired of disasters and funding is tight down this year," said one American. "It is just another small black child with a swollen stomach lying in the dust with flies on her face."

The west could fly dozens of technical experts into Mozambique, provide millions of dollars in aid and ease the emergency. But the departure of the experts would probably leave Mozambique with exactly the same problems as before.

It is a dilemma which preoccupies people like Richard Morgan of Unicef. "The problem is that it is both an acute and a structural emergency," he says. "We do not see the underlying situation being better in two or three years time. If the war ended tomorrow, it would probably take five to 10 years to get back to the position in 1980." But the cruel 10-year-old war in the countryside, fought with guns, machetes and clubs, does not seem about to end.

Victor Mallet

## Employee share ownership

# An ESOPs moral for the Third World

By J. William Middendorf II

PRIVATISATION OF the Saint-Gobain glass company at the end of last year marked a watershed for France. One noteworthy aspect of this initial privatisation under the Chirac administration was the acquisition by Saint-Gobain employees of 2.8m shares in their denationalised company.

The Government has set a goal of 10 per cent employee ownership in its denationalised companies as a way of building up employee commitment to the country's industries. With the same goal, the British Government has sold large numbers of shares to employees of privatised companies. More than 430,000 UK employees, or 87 per cent of total employees in privatised concerns, have acquired shares in their own companies.

In 1979 only 30 UK companies had worker-ownership; now over 1,000 companies share stock ownership with their employees. The implication of this process has been aptly summarised by Mr John Butcher, UK Undersecretary for Industry. "It is removing the old distinction between owners and workers. I believe it has made management and workers more dedicated to the task of succeeding."

Employee stock ownership plans (ESOPs) are also helping transform the beleaguered US manufacturing sector. In the US almost 7,000 companies have started in recent years to share ownership with their employees.

When the Weirton Steel Company, now one of the largest ESOP companies in the US, faced closure in 1982, the management and non-management employees decided to join forces. The workers and union leaders agreed to a cost-cutting overhaul in their labour agreement. The projected savings enabled Weirton employees to attract enough credit to buy their company at a fair price with the buyout loan payable entirely from future profits. The result has been one of most profitable steel companies in the US in spite of the global steel crisis.

So far, ESOPs have had their largest impact in the industrialised countries, but their greatest potential benefit may be in the heavily indebted developing world. Mindful of

this untapped potential, the US Congress called, in early 1985, for a presidential task force to develop a plan for the expanded use of employee stock ownership plans in US development efforts in Central America and the Caribbean.

I was subsequently appointed by President Reagan to chair the Presidential Task Force on "Project Economic Justice." The task force will report to the President soon. The implications of the report, which strongly endorses expanded ownership, reach far beyond Central America and the Caribbean, and have equal validity in most of the non-Communist world.

First and foremost, the task force concluded that ESOPs promote greater economic justice by breaking through restricted ownership patterns that have created rich elites and dispossessed masses in the less developed countries (LDCs). Equally important, they accomplish this laudable goal by strengthening respect for private property and individual responsibility — something we take for granted in the developed world but which is systematically faunted in the LDCs.

The growth of ESOPs directly refutes Marxist claims that capitalism causes ownership to be concentrated among a small wealthy class. President Reagan summed up the political significance of ESOPs in 1975 when he asked: "Could there be a better answer to Karl Marx than millions of workers individually sharing the ownership of the means of production?"

In addition to putting free enterprise countries on the philosophical high ground, the task force pointed out how employee ownership can mesh with privatisation efforts, especially in Latin America where in a majority of countries the state owns over 50 per cent of the means of production.

The resulting deficits from these often bloated parastatals, which are not accountable to their owners to make a profit, have caused staggering inflation rates as governments run the printing presses to pay for them. Belatedly, most leaders in the region have recognised that

privatisation is an essential step for economic health. However, the state-owned sector in Latin America has grown so large, relative to the domestically owned pool of private capital, that the simple sale of state enterprises is difficult. Attracting foreign capital for this purpose will also be especially tough in the face of the massive flight of capital — up to \$130bn (£77.6bn) over the last decade or so.

One promising new technique to bring in foreign capital is the "debt-for-equity swap," which has already reduced LDC debt by more than \$3bn. The potential for these innovative swaps has been hindered by the reluctance of many nations to allow extensive ownership of domestic companies by foreigners — an impediment that could be eliminated by including an ESOP as part of the debt-for-equity swap.

Through this variation, parastatals are sold to their employees who repay the lender over time. This ESOP variation has the political advantage of producing widespread ownership by local employees in the privatised parastatals.

Another advantage of this variation is that it provides an opportunity for LDC workers with little or no savings to become equity owners and to determine their own and the privatised company's success through hard work. The ESOP, utilising earnings of the privatised company, can pay for the worker equity in a set period on terms reflecting the value of the debt exchanged for that equity.

Every day it is becoming clearer that the path to economic prosperity must be built on individual initiative. Our task force concluded that ESOPs are one effective tool for promoting that kind of initiative.

When the wealth of a widespread group of individuals increases, the well-being of nations increases. Even the Soviet Union seems to be learning this, as shown by its new incentives for individual productivity.

The author is US representative to the European Communities and chairman of the Presidential Task Force on Project Economic Justice.

## It hasn't stopped raining

From Dr C. Anderson  
Sir, — I read Saturday's leading article "It's stopped raining" with amazement and not a little annoyance. It may have stopped raining in central London and in Surrey there may be "sunny intervals," but up here in Leeds the barometer has gone round, as the late Gillie Potter used to say, to "permanently wet and windy."

Viewed from a pathology department in a provincial teaching hospital, the outlook is one of unrelieved gloom. Against a backdrop of urban dereliction we struggle to cope in an under-funded health service while the university students under the impact of the latest reduction in funding. The result of spreading resources thinner and thinner is the relative decline in health care standards compared with what they might and ought to be. Hours of time are expended on planning replacement and budgeting for degraded services which please no one.

In the university the need for stringent economy means that vital appointments are not made and even professional chairs remain unfilled for lengthy periods. This leads to a serious lowering of morale among the junior staff, who are our hope for the future. Only this week a very able young member of our department told me how deeply depressed he was. He said: "I just don't see any future for experimental pathology in the country." A brilliant young lady member of staff said that if the Government is re-elected she will leave education will be so dreadful. One might be able to change these attitudes and quell such fears were there an indication that things might improve, however slowly, over the next five years. But there is no such evidence, and all the omens are that things will get worse.

You say "it is possible to identify the outstanding problems and seek to tackle them." Well, for a start, the Government could begin by putting back the £1.8m needed to bring the health service up to the relative position it was in during 1978. You state that "the relative neglect of education will take a long time to remedy." Just so, but the Government must not appear to understand just how much hard effort and hard cash will be needed. A distinguished professor of mathematics told me that in Leeds, with a population of half a million, there are in the schools only 42 teachers with an honours degree in mathematics. This makes maths teachers an endangered species threatened with early extinction.

Before too many readers are

## Letters to the Editor

carried away by your leader, they might care to consider why so many of us, when we consider our country, are overwhelmed by a sense of depression and pessimism. However good things may look in the City, here they look awful. I ask myself why, when there is so much money available for luxuries, we are so desperately short of cash for essentials? Why, when there are millions unemployed can I not engage more technicians, secretaries, cleaners, and so on? Why, if credit is so easy, can I not have departmental funding to enable junior staff to engage in long-term, basic research instead of them having to beg money from charitable agencies for short-term projects? If things are improving so much, where is the evidence for it in ways that matter to me and my colleagues? It may be that in Cannon St it has stopped raining, but where I am something cold, wet and nasty is falling on my head. Perhaps you are right. It isn't rain, it's just sleet in very large quantities.

(Dr) C. K. Anderson.  
Department of Pathology,  
University of Leeds, Leeds.

## Trading in textiles

From the Co-ordinator,  
International Textiles and Clothing Bureau.  
Sir, — I should like first of all to thank you for having published (February 17) an extensive viewpoint of developing countries, exporters of textiles and clothing, regarding their position on the British market. I agree with Mr J. MacArthur, director of the British Textile Confederation (February 26), that in 1986, reflecting the depreciation of most of their currencies against sterling, British imports of textiles and clothing from the developing MFA suppliers have risen faster than those from other EEC countries and also that British imports of clothing are coming mainly from the developing MFA suppliers.

There are, however, also other indisputable facts which cannot be omitted without being unfair to developing countries. British imports of textiles come predominantly from the EEC and other developed countries and they are more important than imports of clothing. Therefore if textiles and clothing are taken

double for an unmarried couple.

The prelude to any proposals for change in this area must surely be a decision as to whether tax incentives are to be provided to reward the married and separately, if encouraged, to be given through fiscal policy to non-working partners (married or unmarried) caring for young children. My preference would be for a fiscally neutral taxation of individuals, regardless of status.

The other side of the transferable allowance coin is, arguably, tax relief for pre-school childcare costs, involving a change in engrained tax theory which, for example, prescribes expenses of travelling to work and the purchase of suits as being deductible expenses. An exception to such theory for this particular cost is arguably more desirable than a transferable married person's allowance, which is available regardless of children, but which may help the unemployment figures.

(Mrs) E. S. Singleton.  
29 St Andrews Avenue,  
Sudbury, Middlesex.

## Portable pensions and AVCs

From Mr P. Field  
Sir, — The provision of portable pensions by individuals, additional voluntary contributions and lump-sum commutations seems to me to have been confused by a state of utter confusion, if not chaos, following the Chancellor's Budget statement. Apart from the problems of sorting out the detailed proposals—which no doubt will prove to be both profound and complicated—it would appear that the pensions industry will also have problems in attempting to implement the new regulations at the same time as coping with the acceleration of the starting dates for portable pensions.

It does seem lamentable to me that fundamental changes to the concept of personally controlled pensions can be made by the Chancellor without (seemingly) any consultation whatsoever with either the organisations that will have to cope with the business, or with out taking into account the views of the individuals concerned.

Mr N. Crighton (March 20) highlights the injustice that AVC participants will now suffer as compared with those in company schemes because apparently they will lose the right to any lump-sum commutations. Whether this will apply to new entrants joining schemes after April 6 or to all existing AVC participants or even be imposed retrospectively is not clear to me.

P. R. Field.  
185c Haerstock Hill,  
NW3.

## Paying for electricity

From the Manager, Budget Payments, Eastern Electricity  
Sir, — Mr R. E. Crum (March 7) questions the basis on which Eastern Electricity's budget payments plan charges are calculated. His suggestion that we are asking too high a monthly payment in comparison with the amount of electricity used when suggesting how his payments can be spread throughout the year.

The proposed monthly charges he mentioned included the past quarter's bill. In other words, those monthly charges covered more than a year's usage. The monthly amount on our budget payments plan is reviewed every quarter and should change when the original bill has been cleared. The charges would then revert to 12 months' usage being covered by 12 monthly payments. This is why the monthly payments were higher than Mr Crum apparently expected.

Our budget payments plan is becoming increasingly popular. Nearly 340,000 of our customers are now paying this way and the number is still growing. K. G. Deakin.  
PO Box 25, Russell Rd,  
Ipswich, Suffolk.

## Changes in taxes

From Mrs E. Singleton.  
Sir, — I trust Mr J. Nicholson's suggestion (March 20), on the married person's allowance, is to be coupled with the existing option of separate taxation of husband and wife, extended to cover all forms of income. It is precisely the "share and share alike" approach, which Mr Nicholson favours, which is so inequitable at present—without the mortgage interest relief limit of £30,000, which is

In honour of today's visit by the  
Custodian of the Two Holy Mosques  
King Fahd bin Abdulaziz Al-Saud  
to the City of London,  
Saudi International Bank  
welcomes the King  
and recognises the important  
role played by the  
Kingdom of Saudi Arabia  
in the international financial markets.

البنك السعودي العالمي المحدود  
Saudi International Bank  
AL-BANK AL-SAUDI AL-ALAMI LIMITED

London New York Tokyo Nassau

Shareholders: Saudi Arabian Monetary Agency,  
National Commercial Bank (Saudi Arabia), Riyad Bank,  
Morgan Guaranty Trust Company of New York, Ltd, Banque Nationale de Paris,  
Deutsche Bank AG, National Westminster Bank PLC and Union Bank of Switzerland.

## Haig enters the race for the White House

BY LIONEL BARBER IN WASHINGTON

MR Alexander Haig, the former US Secretary of State and White House Chief of Staff, yesterday threw his military hat into the ring of contenders for the Republican presidential nomination next year.

A former Nato commander and four-star general with a reputation for being headstrong and power-hungry, Mr Haig remains by his own admission "a dark, dark horse" for an office which

he has been accused of acting as if he already holds.

In a speech in New York yesterday in which he formally declared his bid for President, Mr Haig had some strong words for the Soviet Union and reassurances for voters that inside his "military, turf conscious... demeanour is a heart as big as all outdoors."

Mr Haig warned the Soviets that all arms talks must take into

account human rights and said that he supported the Nicaraguan Contra rebels fighting the Marxist Sandinista regime.

Turning to domestic issues, where his experience is limited, Mr Haig said that a balanced budget must be the order of the day and blamed President Ronald Reagan and Congress for record budget and trade deficits. Mr Haig admitted that all Republican candidates were

"clones" of the Reagan approach - a tribute to Mr Reagan's success in shifting the American mood to a more conservative view in the past six years.

But he suggested that he offered leadership and the ability to make constructive criticisms of the Reagan presidency, unlike other Republican candidates - a reference to vice president Mr George Bush.

Headstrong army man, Page 3

Michael Cassell reports on the Labour leader's defence stance

## Kinnock faces rough ride in US

MR NEIL KINNOCK, the UK's opposition Labour Party leader, flies into the lion's den tomorrow when he goes to the US to promote his party's defence policy and, no less importantly, his own chances of becoming Britain's next Prime Minister.

His visit comes at a time when UK opinion polls show Labour to be trailing in popularity behind both the ruling Conservatives and the SDP/Liberal Party Alliance. The party has had to cope with deep divisions over its defence policy, and has suffered a series of setbacks in recent by-elections.

Mr Kinnock's two-day visit to New York and Washington, scheduled on Friday by a private chat in the Oval Office with President Reagan, will end within hours of Mrs Thatcher's departure for Moscow and talks with Mr Gorbachev. Like Mrs Thatcher, he cannot expect an easy ride.

It will be Mr Kinnock's third visit to the US as Labour leader and follows his mission last December which, despite the denials of his closest advisers, did little to enhance his reputation as international statesman or to find many influential friends for Labour's non-nuclear defence strategy.

This time, not least because of the prospects of an imminent general election campaign at home, Mr Kinnock is hoping for a more constructive outcome, although he readily recognises - and has little option but to accept - the deep reservations held within the US Administration over his party's defence stance.

The Labour leader intends to make every second count during his short stay. In an action-packed itinerary, Mr Kinnock will first go to New York by Concorde and speak to the American European Community Association before heading for Washington.

Apart from the all-important ses-

sion with the President and Mr Howard Baker, the new White House chief of staff, Mr Kinnock also hopes to see Mr George Shultz, the Secretary of State, and has lined up meetings with other leading US politicians like Senator Bill Bradley, sponsor of the US congressional summit on debt and trade, and Senator John Tower, who chaired the "frustrate" commission of inquiry.

But although discussions may embrace subjects as wide as protectionism and Central America, it is defence which is likely to dominate the trip and on which Labour leader's performance will be judged, both in the US and at home.

In a move designed to underline Labour's continuing commitment to Nato and to try to stifle any lingering suggestions about the extent of his personal commitment to the party's unilateralist approach, Mr Denis Healey, the Labour's foreign affairs spokesman will be by Mr Kinnock's side.

The party is certainly hoping for a more receptive climate in the US than on the last occasion, given its recent statements aimed at underlining the desire not to jeopardise progress in talks on reducing intermediate nuclear weapons.

Mr Kinnock will tell President Reagan that a Labour government would not, despite its cast-iron commitment to use Cruise missiles leave the UK, insist on their removal while East-West negotiations continued.

In an additional minor but none the less significant easing of Labour's position, the leadership subsequently made it clear that it might even be able to live temporarily with Cruise if the superpowers agreed on a staged withdrawal of intermediate forces.

Despite mutterings from the left wing, the shift in stance has not yet provoked any significant internal unrest and it could be of consider-



Mr Neil Kinnock: criticism for SDI

able help in putting across the party line on the other side of the Atlantic.

Above all, Mr Kinnock will be anxious to tell the Americans that the party's commitment to Nato remains totally intact and that it fully supports the process of arms reduction and limitation which has now been given a fresh lease of life.

He will be spelling out further details of Labour's own defence blueprint and impressing upon his audience its determination to a strong Nato and, contrary to some recent suggestions, a programmed build up of conventional weaponry.

He has denied, perhaps a little optimistically, that many US officials believe Labour's non-nuclear stance could lead to the break-up of Nato.

He also emphasised his belief that President Reagan's arms control objectives were sincere and added: "I really do think that he wants to get on with the process." He said the President had "shown imagination and a certain audacity" in pursuing an agreement with the Soviet Union.

Mr Kinnock will not want to spend too much time on the defen-

sive. In particular, he will spell out Labour's determination to commission Polaris, which he claims the Americans no longer see as a significant or determining part of Alliance armaments, and to end the dual, nuclear-conventional role of US F-111 bombers based in the UK.

Only a single, conventional role would enable them to remain on British soil under a Labour government. An end to nuclear-armed submarines at Holy Loch, near Glasgow, is another non-negotiable issue.

The Labour leader is likely to reserve most of his criticism, however, for Mr Reagan's own special baby, the Strategic Defence Initiative, or so-called "Star Wars" programme.

He believes that his party's objections are already shared by significant numbers of senior US military and political figures. In his view SDI is both militarily and technologically undesirable and, rather than securing arms reductions, will only lead to a new build-up of nuclear forces.

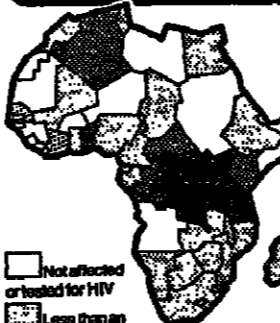
He emphasised that Labour would not be a party to the secret memorandum of understanding, under which Britain could participate in the development of the proposed defence system.

Mr Kinnock claimed that the US was not after British technology but British technologists, who were badly needed for more positive pursuits.

The President can be relied upon to listen politely and to acknowledge that a British Government has the right to take decisions which it believes to be in the best interests of its own people.

Convincing Mr Reagan that Labour's strategy would itself have brought East and West to the negotiating table and that it represents the best interests of Nato is likely to be much harder.

### AIDS in Africa



Not affected or tested for HIV  
Less than an estimated 10,000 carriers  
An estimated 10,000-100,000 HIV carriers  
An estimated 100,000-200,000 carriers  
HTLV-4 or LAV-2 has been detected

## AIDS 'may kill 1m in Africa'

By Michael Holman in London

AT LEAST 1m Africans, mostly in central Africa, will probably die of AIDS in the next decade, warns a report published yesterday on AIDS and the Third World: It adds the figure is "probably a considerable under-estimate."

The report is published by the London-based Pannos Institute, an independent information and policy studies research centre which specialises in environment and development issues. Its AIDS research programme has been largely funded by the Norwegian Red Cross.

Since the publication of its first report, regarded as an authoritative and comprehensive account of the nature of AIDS and the threat it posed, the number of reported cases has risen steeply in countries such as Brazil (754 to 1,012), Haiti (501 to 785), Ivory Coast (0 to 118), Uganda (29 to 768) and Tanzania (482 to 890).

At least 14 countries, says the Institute, have introduced restrictions on travellers, students and workers because of AIDS. The report, a revised and updated account of a study first published last year by the Pannos Institute, says that AIDS has spread beyond the US, Europe and central Africa and has now reached at least 127 of the world's 159 countries.

But one chapter in the report highlights the devastating impact that the virus is having - and will have - on the worst hit countries of central and east Africa, notably Zaire, Zambia, Rwanda, Uganda and Kenya.

"AIDS in Africa", says the study, "does not only threaten individual lives. The survival of whole industries and national economies may be at stake." On the Zambian Copperbelt, for example, the country's industrial heartland where copper mines produce over 80 per cent of export earnings, 88 per cent of the men who tested HIV-positive (HIV is the human immunodeficiency virus which causes AIDS) are skilled professionals.

In one unnamed central African country, the study says, "at least one large corporation is looking at the present level of HIV infection among its workers with alarm. If as many workers develop AIDS as now seems likely, the sick pay could bankrupt the company."

In the capitals of the worst hit countries, says the report, it is the young, skilled urban professionals, in whom their countries have invested scarce resources, who are either already infected or are at serious risk.

"This young elite represents Africa's first post-independence generation to come to power," and they will die in increasing numbers: "The political, social, economic and psychological impact of this gathering death-march cannot be underestimated."

Yet Africa's battle with AIDS, says the report, will be fought at a time when the national income of many countries is falling sharply, debt is mounting and foreign aid is being cut.

The report takes the case of Zambia, where real per capita income in the last decade has fallen by nearly half and health spending is down 20 per cent. Zambian doctors fear that the country may have as many as 6,000 babies and infants with AIDS by the end of this year (the US has under 400), placing a huge strain on health services.

The contrast between resources available to Western countries in their fight against the virus, and the Third World, is stark: "While the US Government has allocated \$3m to AIDS research and control, a hospital dealing with AIDS in Kampala (Uganda) cannot obtain bleach to disinfect its test tubes."

African states, says the study, have reported a total of 2,561 AIDS cases, compared to 30,838 in the US. But the number of HIV carriers on the African continent is "probably many times greater" than in the US. One of the most heavily infected central African countries, Zaire, has not reported any AIDS cases to the World Health Organisation (WHO).

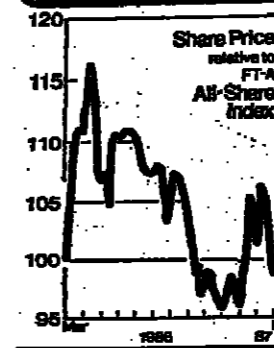
AIDS and the Third World, The Pannos Institute, 8 Alfred Place, London WC1E 7EB, Tel: 01-631-1590; £3.50 (\$8.50).

Changing UK research policy, Page 7

### THE LEX COLUMN

## Second-time round the treadmill

### Coats Viyella



It takes some nerve to launch your maiden contested bid for a significantly larger company in the middle of a takeover pause, but Williams Holdings is a precocious creature. Having studied the works of the great masters and meticulously planned its early ascent to high-rent status Williams could soon be poised on the brink of the FTSE 100. From a £2m shell in 1982 that is growth that leaves even its mentors looking sluggish.

Norcross may be a little overripe but will not simply drop from the tree. Its difficulty is that as a conglomerate of an elder generation it can call in aid no "Pilkington effect" and will stand judged on price and senior management alone. Williams cannot simply claim Norcross as evidence of that cyclical rotting from the head supposed to afflict all conglomerates - particularly as much of the senior management is quite fresh - but the recent improvements have yet to trouble the earnings line. And Williams' carry trading ensures that a surge in Norcross's 1986-87 earnings will be treated with some suspicion, while another message of deferred gratification (spiced perhaps with talk of Nigerian troubles) will amount to surrender.

A bid valuation of 18 times earnings is hardly stingy especially as there is a widespread institutional interest in keeping the Williams share price up. The defence will make much of the short track record and the folding-paper growth trick. However, Norcross may find the disarmingly blunt acquisitiveness of the Williams leadership an effective argument. Norcross may do better to point to the darker side of the bid's apparent integration benefits - particularly the potential hostility of rival DIY retailers. But it may have missed the best trick by not following McKinnis in using its own rumour-inflated paper to pull in a poison pill.

### Coats Viyella

Followers of Coats Viyella in its current incarnation, and of its constituent Vantona Viyella, have had to struggle along without any truly comparable figures for a couple of years. Yesterday's results for 1986 certainly looked splendid at £181.7m pre-tax, more than a fifth up on the pre-merger profits as combined and restated, though there was some help from a pension

holiday if nothing else. At least this year should be fairly straightforward in reporting terms. But the market still has another difficulty with the company: trying to unearth specifics from the general wealth of exceptional opportunities that the new group has identified. There must be more to synergies than doubling the Jaeger chain in the US and pushing other people's products through the distribution network in Brazil. Some benefits are already to be seen in better margins throughout the business despite a less-than-buoyant trading background, and it sounds as if there is still more reorganisation work to do. No doubt the £25m set aside for design, research and development and the £90m of capital expenditure expected this year is money well spent.

So while there is a general expectation of significant profits growth to come, to around £215m this year for starters, the market is somewhat reluctant to pin too much on Coats just yet. A prospective p/e of around 11.5, on the shares up 23p to 617p, still allows for scepticism.

### P&O

Sir Jeffrey Sterling is clearly the sort of man who gives his wife his favourite record album for her birthday present. This is one interpretation of P&O's decision to celebrate its 150th anniversary by giving shareholders not a special dividend, but a warrant to subscribe for P&O stock at 750p at some stage between 1988 and 1993.

The company thinks the warrants may be worth about £120 each to holders, but for P&O the effect is of a 1 for 15 rights issue to raise £200m. Happy Birthday, P&O.

## Airbus aid offer attacked

Continued from Page 1

The company has to find a total of £360m in launch aid for the project over the next six years, of which it is proposing to obtain £90m from its own resources.

On top of this, BAe would have to fund production costs estimated at £500m to £600m.

In 1983, the Government gave BAe £250m launch aid, repayable from sales, for the Airbus A320 twin-engine short range airliner. BAe had asked for £350m.

The loss on the production and sale of civil aircraft "in a difficult year" announced by Sir Austin yesterday compared with a £2.5m loss in 1985, and came despite improvements in productivity, the company said. "Profit margins continued to be under pressure, due to keen competition and the strength of sterling against the US dollar."

Last year was British Aerospace's first as a fully privatised company. It was "right on track," Sir Austin said, with an end-year order book worth £3.6bn compared with £3.1bn at the end of 1985. The 1986 order book included only the initial orders arising from the £3bn military aircraft contract with Saudi Arabia.

## UK fair trading chief challenges SIB rules on life insurance

BY CLIVE WOLMAN IN LONDON

SIR GORDON BORRIE, the Director General of the Office of Fair Trading (OFT), yesterday subjected the rules of the Securities and Investments Board (SIB) on the selling of life insurance and unit trusts to a powerful challenge which threatens the implementation of the new City of London regulatory framework.

As part of a much wider critique, Sir Gordon has supported the banks' and building societies' objections to a SIB requirement to force them to separate their investment advisory services from the sale of packaged investments in their branches. The rules would deprive customers of information about competing policies and promote the influence of the direct insurance salesman, his report says.

In a response, Sir Kenneth Berrill the SIB chairman, said that the SIB's insistence that selling investments and giving independent advice must be "polarised," to prevent the investment becoming confused, formed a fundamental part of its rulebook. When asked whether his own position would become untenable if the Trade and Industry Secretary Mr Paul Channon supported Sir Gordon's report, Sir Kenneth re-

plied: "We shall cross that bridge if we come to it."

The SIB, however, has agreed on a plan, not yet announced, to defuse some of the opposition by offering to exempt the building societies from the need to subscribe to the SIB-sponsored investor compensation arrangement. The building societies have been protesting for several months that they should not have to bail out less stable investment firms which become insolvent.

Mr Mark Boleat, secretary general of the Building Societies Association, yesterday endorsed the OFT report and said that the SIB proposals would favour insurance company salesmen at the expense of the banks and building societies. The 77-page report of the OFT forms part of the process of setting up the new regulatory system outlined in last year's Financial Services Act. The OFT is required to report on any anti-competitive elements in the SIB rulebook before the SIB receives designation from Mr Channon. If Mr Channon required the SIB to change its rules to meet the OFT criticisms on the grounds that they are not necessary for investor protection, the full implementation of the act could be delayed from the end of this year until the second half of 1988.

Editorial comment, Page 24

## World Weather

Place	°C	°F	Place	°C	°F	Place	°C	°F
Algeria	15	59	London	14	57	Madrid	15	59
Amman	18	64	Lyons	14	57	Moscow	10	50
Baghdad	21	70	Paris	14	57	New York	10	50
Bombay	24	75	Prague	14	57	Osaka	15	59
Buenos Aires	18	64	Rome	14	57	Seoul	10	50
Calcutta	24	75	St Petersburg	14	57	Singapore	24	75
Cairo	21	70	Tokyo	15	59	Taipei	20	68
Cardiff	15	59	Washington	14	57	Tel Aviv	20	68
Chennai	24	75	Wellington	14	57	Tientsin	10	50
Cebu	24	75	Yokohama	15	59	Urumqi	10	50
Dhaka	24	75						
Dublin	15	59						
Hankow	15	59						
Hong Kong	24	75						
Kobe	15	59						
London	14	57						
Los Angeles	15	59						
Manila	24	75						
Mumbai	24	75						
Nairobi	18	64						
Rangoon	24	75						
Reykjavik	10	50						
Singapore	24	75						
Taipei	20	68						
Tokyo	15	59						
Urumqi	10	50						
Yokohama	15	59						

## \$ falls to record low

Continued from Page 1

In London, the dollar closed at ¥149.25, up on its post-war low of ¥148.25 earlier yesterday but still below Monday's closing ¥150.15. Sterling fell from a high of \$1.6235 to close yesterday at \$1.6115 compared with Monday's closing \$1.6175.

Foreign exchange dealers noted that, despite the Fed's action, the dollar had still failed to rebound above ¥150, a key level, and most see the dollar falling again.

The dollar's slump set off fresh cries of alarm among Japanese government and industrial leaders who feared that Japan's intensifying trade frictions with the US were undermining the Paris accord.

The market was certainly nervous yesterday that impatience with Ja-

pan over trade issues was strengthening the hand of the protectionist lobby in Congress which could lead to renewed pressure on the administration to allow the dollar to drop.

A parliamentary deadlock has delayed passage of Japan's budget and tax reform proposals and, until they are passed, the measures to stimulate the economy which formed an integral part of the Paris accord cannot be introduced.

Mr Kiichi Miyazawa, Japan's Finance Minister, made a clear attempt yesterday to reassure markets that the G6 accord was still in place.

He said he believed the US would act in concert with Japan to support the dollar.



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AND MEDICAL SERVICES.

## SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Wednesday March 25 1987

هكذا من الأجل

National  
Semi  
sales  
reboundBy Louise Kehoe  
in San Francisco

NATIONAL Semiconductor, the US semiconductor and computer manufacturer, reported reduced losses and a sales rebound during its third quarter which ended on March 8. This reflected a general improvement in the US semiconductor market.

National reported a net loss of \$55.6m or 31 cents a share, compared with net losses of \$39.4m, or 47 cents in the same period last year.

The third-quarter results include a charge of \$15m related to the consolidation of manufacturing in National's supermarket checkout computer equipment and semiconductor operations.

Sales picked up to \$308.1m, compared with \$322.3m in the third quarter last year.

However, the third-quarter performance represents a decline from the previous quarter when National reported sales of \$450.6m and losses of \$5.7m.

Losses for the nine-month period totalled \$32.7m, or 44 cents a share, compared with a net loss of \$84.4m or \$1.11 for the three quarters of fiscal 1987 came to \$1.4m, up from \$1.08m.

National restated its 1986 results at the end of the fiscal year when the company changed its method of accounting for sales to distributors.

The president and chief executive, Mr Charles E. Spork, said, Semiconductor order rates had continued to increase during the third quarter. He blamed the quarter-to-quarter sales decline on low order rates during the past few months of 1986.

Mr Spork added that excess manufacturing capacity throughout the semiconductor industry continued to depress semiconductor prices, in spite of improving business conditions.

William Hall looks at the link between two of the world's biggest players in the financial services industry

## American Express hunts for a global advantage

IF YOU NEED an accurate reading of the fashion thermometer of the international financial services business, you could do worse than monitor the latest manoeuvres of American Express, the large US financial services group.

Its latest venture, which American Express codenamed "the canal street project" and its Japanese partner referred to as "the French connection," links two of the biggest players in the world financial services industry.

It will have raised the competitive temperature in the boardrooms of many of American Express' biggest rivals such as Citicorp, Merrill Lynch, Salomon and Sears Roebuck.

All are battling with the twin problems of how best to bolster their capital position and establish strong international ties to take advantage of the rapid changes in the global financial markets.

American Express' latest move underlines the bold initiatives being taken as commercial banks, brokerage houses and insurance companies jostle for competitive advantage.

American Express' decision to sell 40 per cent of Shearson Lehman Brothers, the third-biggest Wall Street investment bank, and to launch the first of several joint ventures in key world financial centres

with Nippon Life, the biggest Japanese insurance company, has quickly caught the imagination of Wall Street. American Express shares jumped 2 1/2 to \$79 in early trading yesterday.

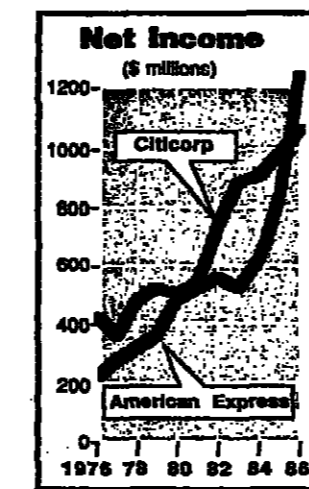
Mr Michael Lewis, an analyst at E. F. Hutton, described as a "brilliant move" the sale to Nippon Life of a 13 per cent stake in Shearson Lehman Brothers for \$536m, and the proposed initial public stock offering of 18m Shearson shares.

It provides Shearson with significant new equity, likely to make it the most highly capitalised investment bank on Wall Street, and "ties in tremendous relationships" with Nippon Life, Japan's biggest institutional investor.

It should also boost American Express' price-earnings multiple, well below the stock market average because of investor concern about the cyclical nature of Shearson's earnings.

Shearson Lehman and Nippon Life will cement their new relationship with a joint venture in London which will concentrate on investment advisory work and asset management. It is expected to be the first of several projects involving American Express, Shearson and Nippon Life in "key financial centres of Asia and other regions of the world."

Shearson has lagged behind some of its US competitors in the European capital markets, and the new London venture should help strengthen its position. It should also provide an important impetus to Shearson's ambitious plans for its own business in Japan, which it describes as the fastest-growing major capital market in the world.



some of its US competitors in the European capital markets, and the new London venture should help strengthen its position. It should also provide an important impetus to Shearson's ambitious plans for its own business in Japan, which it describes as the fastest-growing major capital market in the world.

American Express, the US financial services giant, has announced plans to sell off up to 40 per cent of Shearson Lehman Brothers, its brokerage arm. It also unveiled the first of several planned joint ventures with Nippon Life, Japan's biggest life insurance company. The announcements reflect the rapid realignments now under way as financial services companies set about strengthening their capital

It has also been granted a five-year warrant to purchase 1m American Express shares, equivalent to 0.45 per cent of its equity, at \$100 a share.

The appointments will give Nippon Life an inside track on the strategic thinking of one of the world's most successful financial conglomerates. A provision for the exchange of staff will help it train its younger managers, at a time when Japanese institutions are seeking to become increasingly international.

The latest moves by American Express are a far cry from the sort of expansion moves which the company had in mind when Mr Jimmy Robinson took over as the group's chief executive 10 years ago.

Having invented the travellers cheque in 1891, and pioneered the charge-card business, American Express appeared intent on becoming a major player in the "electronic house of tomorrow" through its rapidly expanding cable TV interests.

However, after a few false starts American Express began to put together the core of its financial empire which now towers above most of its US rivals.

In 1981 it paid \$915m for Shearson's 100 per cent of the electronic house of tomorrow through its rapidly expanding cable TV interests.

It has also been granted a five-year warrant to purchase 1m American Express shares, equivalent to 0.45 per cent of its equity, at \$100 a share.

The partnership with Mr Edmund Safra, one of the world's wealthiest bankers, never really worked, and the group's cable TV operations have been sold off as have the bulk of the group's investment in its highly cyclical Fireman's Fund insurance operations.

Despite investment initiatives such as these which have not met American Express' early ambitions, the group has emerged as a major international financial services conglomerate whose stockmarket capitalisation of \$17bn is 3 1/2 times larger than Merrill Lynch, and more than twice as big as that of Citicorp, the biggest and most successful of the US money centre banks.

Ten years ago American Express earned less than half what Citicorp earned. Last year, American Express earned more than Citicorp for the first time in its history reporting income from continuing operations of \$1.1bn.

Nevertheless, even American Express is overshadowed by the financial strength of Japanese competitors such as Nomura Securities which has a stock market capitalisation of \$58bn.

UK travel  
group  
poised  
for bidBy David Churchill, Leisure  
Industries Correspondent,  
in London

INTERNATIONAL Leisure Group, the UK holidays, airline, and hotels group, yesterday revealed that it was holding talks with another company which could lead to a full bid for ILG.

At last night's closing price this would value ILG at about £34m (\$58.7m).

The announcement followed a sharp rise in the ILG share price over the past few days following market speculation that a merger was imminent. ILG's share price closed last night at 182p, 20p up on the day.

ILG declined last night to name its suitor.

In a separate statement, ILG said that "the board does not anticipate that the offer, if it is received, would be significantly above the current market price."

ILG has been seen in the City of London as a possible takeover target following the failure of merger talks last year with British Caledonian Airways. However, BCal said last night it was not the company holding talks with ILG.

British Airways, which has about 5 per cent of the package holiday market, declined to comment "on market speculation."

City analysts were last night discounting the possibility of a full bid being launched by the New Zealand investment company Omnicorp Investments which took a 7.8 per cent stake in ILG earlier this year.

ILG's main area of operations is in the package holiday market where it has an estimated 17.5 per cent market share, compared with 29.5 per cent for market leader Thomson Travel. Although holiday bookings for this summer were depressed in the early part of the year, they are now reported to have picked up.

## Ferruzzi tightens Montedison hold

By Alan Friedman in Milan

MR RAUL GARDINI, chairman of Italy's Ferruzzi agro-industrial concern, last night reached an agreement with Mr Mario Schimberni, chairman of the Montedison chemicals and pharmaceuticals group, which will see Ferruzzi's presence strengthened on the Montedison board and in subsidiary companies.

The Gardini-Schimberni accord, which followed more than two hours of talks in Milan, comes a fortnight after Mr Gardini boosted his Montedison shareholding from

27.8 per cent to more than 37 per cent, thus securing himself of effective control of Italy's second-largest private-sector company.

Ferruzzi and Montedison were last night limiting their official comment to a statement that the two companies would "do great things together."

An aide to Mr Gardini said that the accord, terms of which have not been disclosed, would see Ferruzzi obtaining several more seats on the Montedison board - at present the

Ravenna-based Ferruzzi has two out of 15 seats. He added that it was the intention of both sides that Mr Schimberni should continue to run Montedison.

It was also learnt that Mr Gardini is likely to be named chairman of La Fondiaria, the wealthy Florence insurance group which Montedison controls. Mr Gardini's colleagues from Ferruzzi are also expected to be given prominent positions on the board of Meta, the financial services subsidiary of Montedison.

Canada airline  
chooses name

By Bernard Simon in Toronto

CANADA'S largest private-sector airline, formed by a merger last year between Calgary-based Pacific Western Airlines and Canadian Pacific Airlines of Vancouver, is to be known in future as Canadian Airlines International (CAI).

Pacific Western, which bought CP Air from Canadian Pacific, the resources and communications conglomerate for C\$300m (US\$228m) said yesterday that the two carriers' services would be integrated from April 28.

## TI sees improvement

By Louise Kehoe in San Francisco

TEXAS INSTRUMENTS, the US semiconductor manufacturer, expects to report a gain of \$108m, before tax and before profit-sharing, in the first quarter. This is as a result of royalty payments to be received in connection with patent suits recently settled with six Japanese semiconductor makers.

Last year Texas Instruments filed suits against eight Japanese and one Korean company claiming infringement of its memory chip patent. Recently the US group reached out-of-court settlements

with Fujitsu, Matsushita Electric Industrial, Mitsubishi, Oki, Sharp and Toshiba. Each of the Japanese companies agreed to make fixed royalty payments, which Texas Instruments said totalled \$134m.

Texas Instruments said the \$108m gain was after the reduction of certain royalty payments it recognised in the fourth quarter of 1986. The remainder, discounted for inflation and other factors would be recorded in the first quarter of the current year.

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HEAD OFFICE Treasury and International Banking Division  
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NEW ISSUE

24th March, 1987

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## INTERNATIONAL COMPANIES and FINANCE

## Cypriot citrus fruit producer aims to upgrade image

AS TURKISH Cypriots struggle to reorganise their ailing state industries, they may have some lessons to learn from the relative success of their largest corporation, Cypruvex, set up in 1975 in the wake of the Turkish takeover in the north of the island.

Today Cypruvex is the fourth largest citrus exporter in the northern hemisphere, handling 1.2m boxes of citrus fruits, mostly oranges, a year.

"Most of our plant has been built since 1975," says Mr Hasan Ozdemir, the company's managing director, eager to fend off suggestions that Turkish Cypriots are simply operating

factories they inherited after the division of the island.

Cypruvex handles about 47 per cent of Turkish Cypriot fruit production, putting it well ahead of its nearest rival, Polly Peck. Exports in 1986 were about \$15m fob, of which the largest item was 30,000 tonnes of Valencia oranges, followed by 35,000 tonnes of grapefruit. Its exports are the largest of any company in northern Cyprus. In some years they account for half national export earnings.

Outwardly Cypruvex looks and appears to work like any other private sector company, but Mr Ozdemir explains that basically the company exists to

market growers' fruit on behalf of the government.

"We are not a profit-making company," he says, although in the 1984-85 season, Cypruvex made a surplus of more than TL 2,000m (\$4.4m). This turned into a loss last year of TL 400m which was covered by reserves.

Most of the company's shares — 90 per cent — belong to the Turkish Cypriot government. The rest are owned by the Turkish Cypriot Central Cooperative Bank.

From humble beginnings, the company has grown steadily. "There has been a major improvement in the quality of Cypruvex's product and its presentation over the

last four years," says one British buyer.

Britain was originally the main market for Cyprus oranges, but Cypruvex has steadily diversified over the last five years. France is now its main customer, followed by Scandinavia. The UK market now absorbs only about 14 per cent of exports.

More than most companies, Cypruvex has to glance over its shoulder at competitors. In the north, there is the challenge from Polly Peck which is seen as putting more effort into grading its product. So too do the Greek Cypriot dealers in the south of the island.

"Cypruvex is a very reliable company to deal with, but it still needs a lot of advising on some topics," says one British dealer. "The main problem is that it does not pre-palletise their fruit cargoes, which causes a lot of difficulty for the customer."

Cypruvex explain this by saying that the transport used at present is not "pallet-friendly" and pre-palletising would thus be unprofitable.

The emphasis on steady market expansion, however, will continue, despite a glut on European markets and fears that the European Community will impose additional duties on producers outside the Com-

munity as a result of Spain's membership.

Last year for the first time, Cypruvex moved into exporting grapes, and is also exporting 5,000 tons a year from Turkey.

"Stricter grading and more promotion would do wonders for their image," says the British dealer of Cypruvex. "At present customers don't go into supermarkets and buy Cyprus oranges. But if Cypruvex carry on with their policy of gradual improvement, it could come one day."

By David Barchard, recently in Cyprus

## Italtel renegotiates US switching deal

BY ALAN FRIEDMAN IN MILAN

ITALTEL, the Italian state-owned telecommunications equipment maker which may be merged under a joint holding company with Fiat's Telettra subsidiary, is renegotiating an agreement with GTE of the US in the field of public telephone exchanges.

Mrs Marisa Bellisario, managing director of Italtel, said the issue of revising the agreement, undertaken in 1982, was raised at Italtel's initiative in light of last summer's deal between GTE and Siemens of West Germany under which the latter is to have 80 per cent of a venture pooling public switching operations in Italy, Belgium and Taiwan.

The renegotiation—now being discussed with Siemens of West Germany rather than GTE—is likely to lead to the purchase by Siemens of licences for the Linea UT Digital public switching exchange in Italy, according to Mrs Bellisario.

The Linea UT, which last year represented about a fifth of Italtel's L1,300bn (\$1bn) of

sales, was developed by Italtel as part of the 1982 three-way agreement with GTE and Telettra. Mrs Bellisario said that as far as Telettra is concerned "we have been in touch with them and they have no problem with our talking to Siemens."

Italtel's managing director said that the Linea UT could eventually replace the GTD-4 public switching system, which was developed by GTE as part of the 1982 co-operation agreement. In the meanwhile, she said that Italtel and Siemens are discussing plans for co-operation in Italtel's research and development activity in Italy. Mrs Bellisario said that Italtel had spent about L200bn so far on developing the UT line. She predicted a similar amount would be spent in the next two years.

Italtel claims about 52 per cent of the Italian market in public switching, while GTE is reckoned to have a share of about 12 per cent.

## Gist-Brocades lifts earnings 11%

BY LAURA RAUN IN AMSTERDAM

GIST-BROCADES, the Dutch biotechnology group, produced a rise of 11 per cent in earnings to Fl 111m (\$53.97m) in 1986 from Fl 100m the year before, after extraordinary gains and lower taxes.

The company's sale of its stake in Henkes, a Dutch distillery, yielded extraordinary income which more than offset

narrowing profit margins and falling sales.

Profits per share increased to Fl 3.27 from Fl 2 following a five-for-one share split last year. Revenue slipped 2.6 per cent to Fl 1.5bn from Fl 1.55bn on stagnating sales in traditional dried yeast and the lower dollar.

An unchanged dividend of Fl 1.50 per share was declared for 1986.

Gist-Brocades, which is based in Delft, said it expected operating income to continue under pressure this year as a result of shrinking profit margins and the weaker dollar. A slight fall in earnings per share for 1987 is a possibility, added Gist, which is the world's largest manufacturer of penicillin and a leading maker of beta lactam antibiotics.

## Von Roll plans to resume dividends

BY OUR FINANCIAL STAFF

VON ROLL, the Swiss steel group, has nearly doubled profits for 1986. It plans its first dividend for four years.

At the same time the company intends to strengthen its capital base by issuing bearer shares and splitting its registered shares through a five-for-one issue.

Von Roll made a net profit

last year of Sfr 28m (\$17m), up 86 per cent from the 1985 level. Turnover rose 3.6 per cent to Sfr 1.34bn.

The dividend, only the second payment in 11 years, will be Sfr 30 a share. The last payment was Sfr 25 for 1981.

The company plans to split its existing 120,000 registered shares of Sfr 500 nominal into

900,000 registered shares of Sfr 100. It will also create 50,000 new bearer shares, its first issue of freely transferable bearer shares, and issue them by way of rights.

Of the new bearer shares, 28,500 will be offered to shareholders on a one-for-40 basis on the split registered shares. The price of the rights issue will be set shortly.

## Fiat rules out deal with Nissan over Alfa venture

BY JOHN WYLES IN ROME

FIAT yesterday firmly ruled out the possibility that it would allow the Japanese manufacturer, Nissan, a stronger foothold in Italian car production.

Mr Cesare Annibaldi, the Fiat director of external relations, said that there was no question of Fiat agreeing to allow Nissan to take 100 per cent control of the Arna joint venture set up with Alfa Romeo in 1980.

The Arna project is one of the loose ends which still needs to be tied up since Fiat acquired control of Alfa at the beginning of the year. The plant at Avellino near Naples has been a commercial disaster, producing only about 50,000 "Alfaised" versions of the Nissan Cherry saloon since 1983, instead of the 80,000 a year originally envisaged. Production was finally halted last June and the 650-strong workforce laid off.

Reports from Tokyo that Nissan was interested in acquiring the plant has sparked some concern about a Japanese

"Trojan Horse" capable of side-stepping the long-standing Italian restrictions limiting Japanese imports to 2,000-3,000 a year.

Nothing has yet been settled, but the future should be clarified over the next few days. There is definitely no possibility that we shall sell 100 per cent of Arna," said Mr Annibaldi.

The most likely outcome of negotiations appears to be an agreement to continue the joint venture on the basis of producing a different vehicle—possibly a Japanese designed four-wheel drive which would not directly compete with anything in the Fiat lineup.

In the meantime, negotiations between Fiat and the trade unions on new working arrangements at the two Alfa plants at Arese and Pomigliano del Arna will resume on Friday. The two sides parted in disagreement a fortnight ago with union delegations deeply divided over the company's plans to scrap the "work group" system of car assembly.

## Swiss chemical group hit by exchange rates

BY JOHN WICKS IN ZURICH

EMS, THE Swiss chemical concern has shown a slight fall in sales and earnings for 1986, mainly due to "unfavourable currency conditions."

Consolidated group turnover dropped to Sfr 517m (\$339.8m) from Sfr 522m despite a rise in sales volume in all sectors except synthetic fibres. The only divestment during the year was of about Sfr 8.6m on turnover from the production of sport flooring and tank linings by the EMS-Togo subsidiary.

At the same time, group cash flow fell slightly from Sfr 80.2m to Sfr 79.8m and profits after tax from Sfr 40.9m to

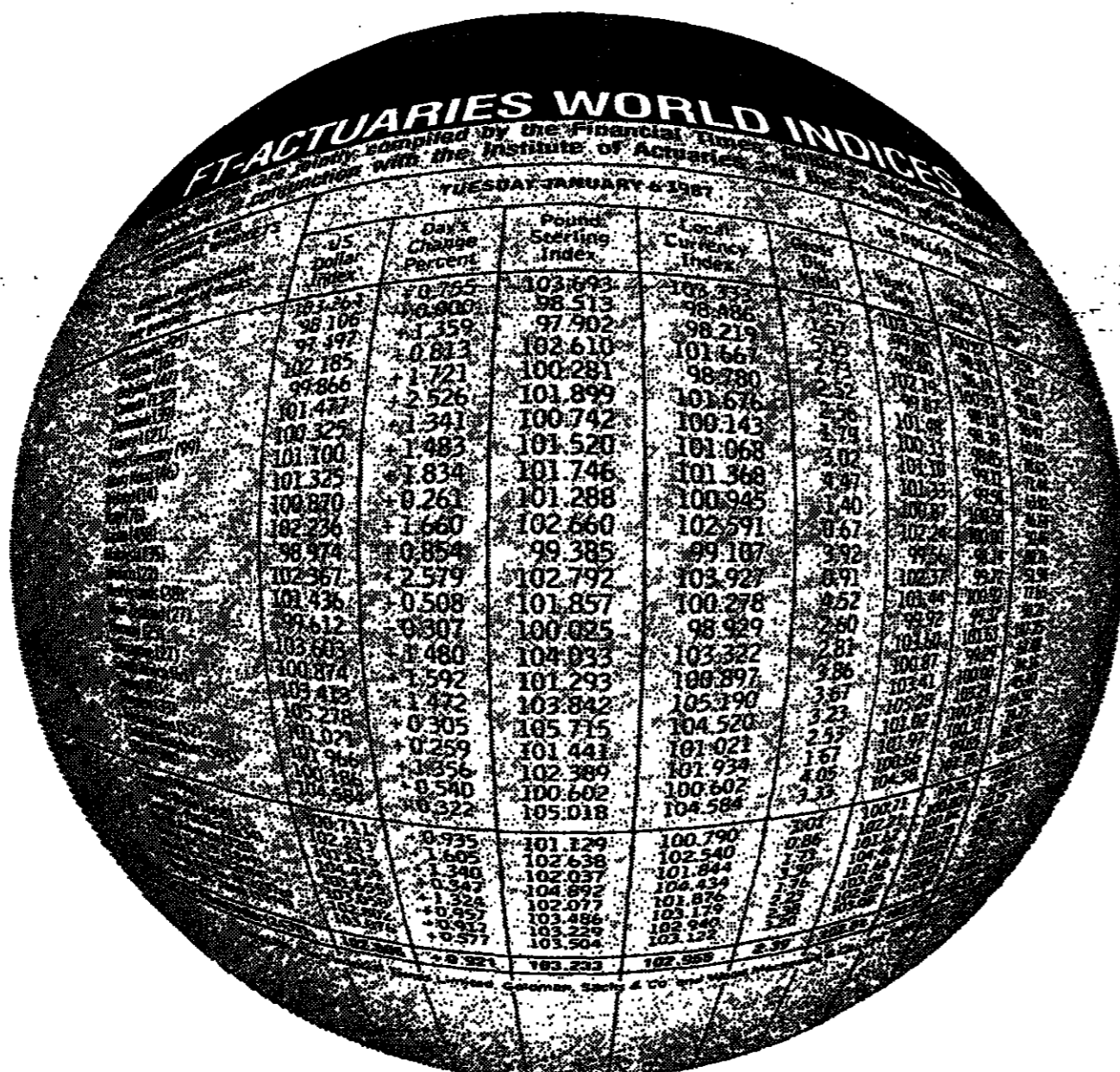
Sfr 45.0m.

The current year is said to have started well. Although exchange rates remained unsatisfactory compared with those of early 1986, sales rose by 2 per cent with an unchanged cash-flow margin.

Turnover in systems technology had increased 12 per cent so far this year, by 10 per cent for EMS-Togo, and 3 per cent for EMS, while sales remain constant in the chemical engineering sector.

For 1987, EMS looks for good sales and earnings and said it has a continuing high level of new orders.

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مكاتبنا في القاهرة



## INTERNATIONAL COMPANIES and FINANCE

## City banks win concession on common cards

THE GROWING cash card and credit card business in Japan is in for further upheaval following the Government's decision this month to deregulate the card operations of the 13 Japanese "city" or commercial banks.

The decision means that the city banks will each be able to issue one common card for cash dispensing, credit and cash advances—services that now must be offered on different cards. It is also providing opportunities for the international card operators, such as American Express and Citibank.

Until now, only Japan's regional and mutual banks and the postal savings system have been allowed to issue common cards. Complaints by the big banks about the inequity of this situation was one reason for the deregulation. A Ministry of Finance official admitted that there was no justifiable reason for preventing the big banks from issuing common cards.

Pressure has also come from the US Government, which wants the Japanese economy to become more dependent on domestic demand. US authorities argue that simpler credit and payment systems will stimulate consumer spending.

The new common cards. Many will merge their cash cards with credit cards issued by affiliated companies. For instance, Dai-ichi Kangyo Bank (DKB) and Fuji Bank will pick up the UC credit card issued by Union Credit, which they

agreed with American Express to allow use of their cash dispensers for cash advances with the Japanese-issued American Express card. The service, providing loans of up to ¥500,000 (\$3,280) to cardholders, will start late this

addition to UC's 70 cash dispensers. Citicard holders will have access to some 5,100 machines belonging to the four UC member banks. The Citicard holders will also be able to buy on credit at 520,000 Union Credit affiliated shops in Japan.

Although the banks and credit companies are now preparing to issue common cards, the process is likely to take some time because of the need to modify dispensers, the computer systems to deal with the new cards, and the automatic customer credit assessment machines.

Mr Yoshiro Araki, chairman of the Federation of Bankers' Association, predicts that the common cards will not be issued before the middle of next year. He says the banks have many other urgent projects, including adjusting to the new competitive environment that will be created by the planned abolition of tax exemption on small savings and the proposed introduction of a sales tax.

## Yoko Shibata on the deregulation of the fast growing plastic money business in Japan

Cards are already very big business in Japan. According to the Japan Credit Industry Association, some 97m credit cards had been issued by the end of March 1986 by various credit companies affiliated with banks, hire purchase companies and retailers. In addition, there were 100m cash cards. However, most growth potential is still thought to exist because the Japanese have only 0.7 cards per head compared with three per person in the US. The banks are now in the process of forming affiliations with credit card companies for

own together with Taiyo Kobe Bank and Saitama Bank, two regional banks. Sumitomo Bank will merge its cash card with Visa, Mitsubishi Bank will take the DC card from its Diamond Credit affiliate and Sanwa Bank the Japan Credit Bureau (JCB) card. Mitsui Bank, which is in both the JCB and UC groups, and Kyowa which is affiliated with Visa and JCB, say they will leave the election up to the customer. Early this week, the six banks that sponsor JCB—Sanwa, Daiwa, Taiyo Kobe, Kyowa, Daiwa and Hokkaido Tokai

month or in early April. The deal will boost the number of cash dispensers and automatic teller machines available to Amex cardholders to 7,000, including those of DKB which concluded a similar accord with Amex last December. At the same time, 133 Amex cash dispensers in 18 countries, including four in Japan, will be made available to the JCB members. Meanwhile, Citicorp is entering Japan's credit card market with its Gold Citicard from next month in a tie-up with UC and MasterCard International. In

## Santos profits down more than a third

BY OUR FINANCIAL STAFF

SANTOS, the Adelaide-based oil and gas producer which has been acting to strengthen its control over the strategic Cooper Basin fields, was sharply affected last year by the downturn in petroleum product prices.

On revenues down 21 per cent to A\$400.42m, net profits fell by more than a third to A\$98.67m (US\$61m) from A\$144.04m in 1985, when a total dividend of 20 cents per share was paid. The latest final payout is being deferred until July when tax arrangements are due to come into force which Santos expects to be more advantageous.

The final distribution, it said, was not expected to be less than 9 cents per share—at that level the aggregate payment would be reduced to 16 cents, paid from earnings per share of 37 cents against 60 cents.

These profits were struck before extraordinary charges substantially reduced from A\$53.40m to A\$6.49m.

Santos yesterday received a rebuff from TMOG Resources, the smaller Cooper Basin operator for which it is bidding some A\$245m. TMOG, formerly called Monzie Oil, said the A\$4 per share bid fell below the underlying value of A\$4.08 to A\$4.72 as assessed by Macquarie

Hill Samuel, from which it is seeking renewed advice.

TMOG urged shareholders in the meantime not to accept the offer, launched by Santos on Monday as a challenge to a A\$2.55 a share bid from Elders Resources, which already owns 19.9 per cent of TMOG. Santos is itself 15 per cent owned by Elders Resources.

TMOG put Santos's current holding at only 3.07 per cent, which it said was despite paying up to the A\$4 bid level in market purchases of shares, in its target.

Sir Brian Massey-Greene, the Santos chairman, said his company had been dealing with the adverse trading climate by increasing production, particularly of oil and liquefied petroleum gas, as well as reducing operating costs and scaling back oil exploration and development outlays.

Shell Australia, wholly owned by Royal Dutch/Shell, yesterday reported a 31.4 per cent drop in 1986 net profits to A\$45.78m. Mr Kevan Gosper, the chairman, said this reflected heavy reliance on downstream oil and chemicals, poor coal and metal returns, and the financial burden of the North-West Shelf project where it is in partnership with Broken Hill Proprietary through Woodside Petroleum.

## Advance by Malaysian shipping group

By Our Financial Staff

MALAYSIAN International Shipping Corporation (MISC), which gained a Kuala Lumpur Stock Exchange listing a month ago, has reported group net profits up by nearly a half last year to 237.5m ringgit (US\$94.3m).

MISC, a previously state-controlled group, gained its quotation after turning round from losses incurred in the early to mid-1980s despite an intensified world shipping recession. A large part of its earnings come from the operations of its five liquid natural gas tankers.

Turnover for 1986 grew from 874.4m ringgit to 1,321m ringgit, and shareholders are to be offered a final dividend of 5 cents per share.

The state-controlled Pakejan Nasional Shipping (PNS) has disclosed a slide into negative net worth after a run of consecutive losses.

Its annual report for the year to last June shows an aggregate loss of P\$ 682.8m (\$59.3m) as a deficit carried forward from previous years engulfed a small trading profit of P\$ 23.5m. This itself was an improvement on P\$ 8.9m earned for 1984-85, but that year ended with a P\$ 706.4m loss carryover.

All of these securities have been sold. This announcement appears as a matter of record only.

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## Sharp fall in Israel Discount earnings

Israel Discount Bank, the country's third largest, has reported consolidated net profits down sharply last year to 2.4m shekels (\$1.49m) from 40.2m shekels. Reuter reports from Tel Aviv.

The bank attributed the decline in part to the reduction in the spread permitted on local currency transactions and the virtual freeze on bank commissions.

Provisions for doubtful debts came to 4.2m shekels, half the 1985 figure. Capital totals 684m shekels.

## Singapore metal group well ahead

National Iron and Steel Mills, the Singapore metal products group, boosted net profits nearly sevenfold last year to S\$24.7m (US\$9.67m) from S\$3.8m, AP-DJ reports from Singapore.

It said performance improved because of lower operating costs and increased exports. Turnover rose 7.4 per cent to S\$357.6m.

Attributable profits were S\$26.2m against S\$13.6m after reduced extraordinary gains. An annual dividend of 15 cents compares with 8.96 cents in 1985.

## Issue for Novel Enterprises oversubscribed

Novel Enterprises, a leading Hong Kong textile group, has reported a 22.2 times over-subscription to its HK\$285m (US\$36.5m) share flotation. Our Financial Staff writes.

It offered 142.4m shares, representing 25 per cent of the company, to the public in an issue linked to a 11.5m share placement with Marubeni, its Japanese trading house customer. A further large flotation in the territory's garment sector is expected from Laws Fashion Knitters.

## Kingdom of Denmark

(the "Kingdom")

NOTICE

to the holders of

Japanese Yen 15,000,000,000

8 1/4 per cent. Bonds due 1st May, 1992 (the "Bonds")

EARLY REDEMPTION ON 1ST MAY, 1987  
of all the Bonds by the Kingdom

NOTICE IS HEREBY GIVEN to the holders of the Bonds (the "Bondholders") that, in accordance with Terms and Conditions endorsed on the Bonds (the "Conditions"), the Kingdom will on 1st May 1987 (the "redemption date") redeem all of the Bonds then outstanding at 101 per cent of their principal amount together with interest accrued to such date (being an aggregate of Yen 546,250 for each Bond of Yen 500,000). Payments of principal, premium and accrued interest will be made on and after the redemption date in the manner provided in the Conditions against surrender of Bonds and Coupons No 5 due on 1st May, 1987 and all subsequent Coupons appertaining thereto at the specified office of any of the Paying Agents listed below. Failure to surrender any such subsequent Coupon(s) will result in the amount of such Coupon(s) being deducted from the sum due for payment on the redemption date.

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## Kingdom of Denmark

by The Bank of Tokyo, Ltd. as Fiscal Agent

Dated March 25, 1987

## Hanson Trust PLC

has acquired

## Kaiser Cement Corporation

The undersigned acted as financial advisor to  
Hanson Trust PLC and as Dealer Manager for the tender offer.

## ROTHSCHILD INC.

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March 12, 1987



مكازم التاجيل

## CONTRACTS

### Peterborough distribution centre

NFC CONTRACT DISTRIBUTION has signed a five-year £2m warehouse management contract with Bachelors Foods. The agreement involves the management and operation of a single, national secondary distribution centre for Bachelors in Peterborough. The purpose-built centre will replace two existing distribution operations at Ashford, Kent, and Workop, Nottinghamshire, previously operated by Bachelors. NFC Contract Distribution is to be responsible for all operations at the centre. This includes leasing the property on behalf of Bachelors, together with warehouse management, picking and assembly of orders and loading of delivery vehicles.

BOVIS CONSTRUCTION has been awarded a £400,000 contract by the Worshipful Company of Girdlers. The project, due for completion in September, involves the demolition of a building in King Street, Egham, Surrey, retaining the front facade, and the construction of a three-storey retail shell with a reinforced concrete frame and brickwork infill.

Contracts worth more than £2m have recently been won by the OSBORNE GROUP. They include a three-storey office village at development at Harrow for County Town Investments (£1.5m); a superstore at Woking for CCL (£2.4m); office refurbishment at Albany House, Petty France, London (£250,000); and a "measured term contract" for the PSA Portsmouth which extends over three years (£1.5m). Osborne's design and build

section has been awarded fast-track contracts worth £1.6m to refurbish 12 stations for British Rail (Southern). This is part of a three-year improvement plan designed to brighten up the old stations on BR's Southern network. Work has already begun at Oxted station, while the remaining 11 stations are still at the design stage.

DOW MAC CONCRETE has gained two orders worth £1.5m. The largest is for a pre-cast concrete multi-storey car park worth almost £1m, for MEPC Developments at Crown Fields, Meadow Road, Tunbridge Wells. The design is in keeping with the architecture of Royal Tunbridge Wells. There is a complex brick elevation with curved panels and the stair and lift towers will have glazed elevations.

The two principal aircraft servicing and storage depots operated by the Royal Air Force in the UK — at Abingdon and St Athan — and the signals engineering establishment at Manlow are increasing their investment in ICL. The total value of the new orders placed with ICL is about £2m. Installation of new software and information processing systems is now under way.

De La Rue's subsidiary, CROSSFIELD ELECTRONICS, has won a contract worth US\$7m (£4.97m) from "Dagens Nyheter", Sweden's largest newspaper, for editorial and classified advertising systems. In addition Mr Robert Maxwell has ordered terminals and associated computers for the Mirror Group Newspapers.

This follows the use of Crossfield equipment in the launch of the "London Daily News". The Daily News and Mirror Group contracts are together worth a further £7m (£4.97m).

Mobil Oil Company has awarded a £8.5m contract to a joint venture comprising HOWLEM ENGINEERING (part of The Howlem Group) and R. T. ROLATRUOC for a major project at Mobil's lubricants blending plant at Birkenhead. The joint venture will involve the upgrading of the materials handling system and the construction of a 25 metre high bay warehouse complex. The materials handling and warehouse complex has been designed to automate the movement of packaged product within the plant. The automated system will be under the control of a central warehouse management computer which will control all activities within the lateral movement. The facility is scheduled to be in operation by the last quarter of 1988.

The Jordan Electricity Authority (JEA) has awarded a contract to ASEA TRANSMISSION, Sweden, for an energy management system (EMS) for its national control centre. The contract is valued at about \$100m (£50m). ASEA's deliveries will comprise a Sincos 5 Energy Management System. Besides extensive SCADA functions, the EMS will include a range of advanced application functions, such as network modelling, operator's load flow and load forecasting. ASEA undertakings also include extensive training of JEA personnel. The EMS will

initially cover 32 power stations and substations. Each station will have its own remote terminal unit (RTU), of which 21 are already installed. ASEA will also supply a further 11 new RTUs of the Collector 400 type.

The Hackensack Water Company, based in Hackensack, NJ, US, has placed an order worth more than US\$2m (£1.7m) for the supply of meter interface units manufactured by BASE TEN TELECOM INC. The meter interface units will be used to read water meters using customers' existing telephone lines without interfering with the subscribers' normal telephone usage.

A £1.3m contract to develop and produce common control units for the Royal Navy's new EH101 helicopter programme has been won by RACAL AVIONICS. Awarded by Westland Helicopters on behalf of European Helicopter Industries (EHI), the contract comprises four common control units, cursor control devices, and four auxiliary keyboards per helicopter. This equipment will form the vital man-machine interface between the operator and the aircraft's mission management systems. RACAL is also developing electronic support measures equipment, cabin mission displays and Doppler velocity sensors for the EH101 programme in a total work package shared between the UK and Italy. RACAL Radar Defence Systems will provide the electronic warfare equipment and cabin mission displays. RACAL Avionics is to supply a specially developed variant of the advanced Doppler 91 velocity sensor and the common control units.

#### NOTICE OF REDEMPTION

#### JAPAN AIR LINES COMPANY, LTD.

(Incorporated in Japan)  
(Nippon Kaisha Kabushiki Kaisha)

U.S. \$42,150,000 10% per cent.  
Guaranteed Bonds due 1992

(The "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate principal sum of U.S. \$42,150,000, have been drawn for redemption on April 28, 1987 (the "Redemption Date") for account of the Bondholders.

Redemption will be made at the principal amount thereof.

#### SERIAL NUMBERS OF BONDS CALLED FOR REDEMPTION

01	1909	3578	5182	6439
208	1824	3337	5186	6255
310	2285	3770	5207	6780
422	2919	3740	5283	6884
581	2164	3764	5307	6708
670	2285	3770	5402	6792
776	2285	3770	5402	6792
876	2285	3770	5402	6792
1112	2285	3770	5402	6792
1200	2285	3770	5402	6792
1300	2285	3770	5402	6792
1401	2285	3770	5402	6792
1402	2285	3770	5402	6792
1403	2285	3770	5402	6792
1404	2285	3770	5402	6792
1405	2285	3770	5402	6792
1406	2285	3770	5402	6792
1407	2285	3770	5402	6792
1408	2285	3770	5402	6792
1409	2285	3770	5402	6792
1410	2285	3770	5402	6792
1411	2285	3770	5402	6792
1412	2285	3770	5402	6792
1413	2285	3770	5402	6792
1414	2285	3770	5402	6792
1415	2285	3770	5402	6792
1416	2285	3770	5402	6792
1417	2285	3770	5402	6792
1418	2285	3770	5402	6792
1419	2285	3770	5402	6792
1420	2285	3770	5402	6792

Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto, at the principal office of the Company, or at any of the following Paying Agents:

The Bank of Tokyo, Ltd. in Paris  
The Industrial Bank of Japan Limited in London  
The Bank of Tokyo, Ltd. in Brussels  
The Industrial Bank of Japan (Luxembourg) S.A. in Luxembourg  
Bank of Tokyo (Switzerland) Ltd. in Zurich  
Industriale Bank von Japan (Deutschland) A.G. in Frankfurt/Main

On and after the Redemption Date, interest on the Bonds to be redeemed for this sinking fund will cease to accrue. The coupon for interest payable on April 28, 1987 should be detached and presented for payment in the usual manner.

JAPAN AIR LINES COMPANY, LTD.  
By: The Bank of Tokyo  
Sinking Fund as Fiscal Agent

Dated: March 25, 1987

#### APPOINTMENTS

### Senior Harris Queensway post

HARRIS QUEENSWAY has appointed Mr Roger Fodder managing director of the group's electrical division with special responsibility for new ventures. He was director of Ward White with responsibility for the multiple operating group.

Mr J. J. (John) Wilson, commercial accountant, has been appointed commercial director. MARDON FLEXIBLE PACKAGING, Midsomer Norton.

Western Australia gold producer NORTH KALGUELL MINES has appointed Mr Peter W. Tress as a director.

THE BRITISH GAS On Line Inspection Centre has appointed Mr Syd Winship as marketing manager. He was managing director of Munk UK.

Mr Alan G. Mackay has been appointed managing director of PARTRIDGE MUIR AND WARREN. He was managing director of the financial services division of Berry Birch and Noble.

NORRADD ELECTRONICS, Reading, has appointed Mr Peter Ryan as its first non-executive director.

Mr J. Michael Taylor, who joined HICKSON INTERNATIONAL in January 1986 from Worley, has been appointed to the board. Sir Robert Clark, a director, has retired.

BANK OF AMERICA has appointed Mr George Metcalfe as director of communications for Europe and the Middle East. He was previously communications manager.

Following the acquisition by GREAT PORTLAND ESTATES of half the share capital of Bridge Hall Group, Mr Richard Peskitt,

chairman and managing director of Great Portland, has joined the board of Bridge Hall, and Mr Danny Desmond, chairman and chief executive of Bridge Hall, has joined the board of Great Portland.

The NATIONAL ASSOCIATION OF SECURITIES DEALERS has appointed Mr J. Gordon Jones to be European executive director. He is head of

public affairs of the London Stock Exchange and will assume his new duties in mid-1987.

Mr P. A. Armstrong has been appointed to the Board of DEVITT GROUP from April 10.

Mr John Naylor has been appointed commercial director of SEIFERT ENVIRONMENTAL DESIGN, a member of the Seifert Group.

### TOKYO TRUST S.A.

#### FINAL DIVIDEND

A Final Dividend of U.S.\$0.09 per share will be payable on 13th April 1987 to holders on the Register on 23rd March and to holders of the Bearer Shares against presentation of coupon No. 28 at the Paying Agents:

Singer & Friedlander Ltd  
21 New Street, London EC2M 4HR

or  
Kreditbank S.A. Luxembourg  
43 Boulevard Royal, Luxembourg

By order of the Board  
TOKYO TRUST S.A.

#### A FINANCIAL TIMES SURVEY

#### PORTSMOUTH

The Financial Times proposes to publish a survey of the above on FRIDAY MAY 8 1987

For full details please contact: ROBERT WOOD on 01-265 3000 extn 4129 or write to him at: Brickers House, 10 Cannon St, London EC2A 4DY

#### FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER  
The content, style and publication details of the Financial Times are subject to change at the discretion of the Editor

#### IRELAND

#### U.S. \$100,000,000

#### Floating Rate Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next six months 26th March, 1987 to 26th September, 1987 has been fixed at 6 1/4% per cent. per annum. The Coupon Amount payable on Coupon No. 11 will be US\$3,418.06.

THE SUMITOMO BANK, LIMITED  
Reference Agent

This notice complies with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.



## TMC Mortgage Securities No.1 PLC

(Incorporated with limited liability in England and Wales)

### Mortgage Backed Floating Rate Notes due 2014

The following have agreed to subscribe for the Notes:

Salomon Brothers International Limited

S.G. Warburg Securities

Barclays de Zoete Wedd Limited

Caisse Nationale de Crédit Agricole

Cater Allen Limited

Chemical Bank International Group

Clive Discount Company Limited

County NatWest Capital Markets Limited

Creditanstalt-Bankverein

Kreditbank International Group

Lloyds Merchant Bank Limited

Sumitomo Trust International Limited

Yasuda Trust Europe Limited

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100 per cent., to be admitted to the Official List, subject only to the issue of the Global Note.

Interest on the Notes is payable quarterly in arrears. The first payment falls due on 30th June, 1987. Listing Particulars relating to the Notes and the Issuer are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 8th April, 1987 from:

TMC Mortgage Securities No. 1 PLC  
Victoria Plaza  
111 Buckingham Palace Road  
London SW1W 0SR

The Chase Manhattan Bank, N.A.  
Woolgate House  
Coleman Street  
London EC2P 2HD

Nelson Contrade Limited  
Bartlett House  
9-12 Basinghall Street  
London EC2V 5NS

25th March, 1987

مكتبة من الكتب

Eni - Ente Nazionale Idrocarburi - has retained PARIBAS to assist with the privatization of

## Lanerossi Group

The activities of the Group, by company and area of activity, are as follows:

Company	Area of activity	Location	Number of personnel (31.12.86)	Turnover in billions of Lira
1. LANEROSI SpA	- Wool combing and spinning	Vicenza Piovone Schio	1,429	141.4
	- Wool weaving	Schio (Vicenza)	999	116.0
	- Blankets	Schio (Vicenza)	177	17.3
	- Furnishing fabrics	Pievebelvicino (Vicenza)	90	5.6
	- Carpets and rugs	Marano Vicentino (Vicenza)	227	31.3
2. MARLANE SpA	- Wool spinning and weaving	Praia a Mare (Cosenza)	523	27.8
3. I COTONI DI SONDRIO SpA	- Cotton spinning and weaving	Sondrio	955	97.7
	- Work clothes	Berbenno (Sondrio)		
4. LEOLEMODA SpA	- Clothing	Arezzo Rassina (Arezzo)	2,615	169.8

Any company interested in the purchase of any of the above firms are invited to contact PARIBAS before 31/3/87 at the following address: Banque PARIBAS, 3 rue d'Antin, 75002 PARIS - France - attention of M. Philippe DUTEL - Tel. (1) 42.98.07.02, who will supply interested parties with all the necessary details concerning the sale of the LANEROSI Group.



This advertisement complies with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to subscribe for or purchase any securities. The securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or its possessions or to United States persons.

## SAAB-SCANIA

SAAB-SCANIA AKTIEBOLAG  
(Incorporated in Sweden with limited liability)

U.S. \$150,000,000

7 3/4% Bonds due 1992

The following have agreed to subscribe for the Bonds:

MORGAN GUARANTY LTD

MERRILL LYNCH INTERNATIONAL & CO.

ENSKILDA SECURITIES

SWISS BANK CORPORATION INTERNATIONAL LIMITED

BANKERS TRUST INTERNATIONAL LIMITED

BANQUE GENERALE DU LUXEMBOURG S.A.

BANQUE BRUXELLES LAMBERT S.A.

BANQUE NATIONALE DE PARIS

BERGEN BANK A/S

CITICORP INVESTMENT BANK LIMITED

CREDIT COMMERCIAL DE FRANCE

CREDIT LYONNAIS

CREDIT SUISSE FIRST BOSTON LIMITED

DEUTSCHE BANK CAPITAL MARKETS LIMITED

EBC AMRO BANK LIMITED

GENERALE BANK

GOLDMAN SACHS INTERNATIONAL CORP.

KANSALLIS-OSAKE-PANKKI

MORGAN STANLEY INTERNATIONAL

NOMURA INTERNATIONAL LIMITED

ORION ROYAL BANK LIMITED

PRIVATBANKEN A/S

SALOMON BROTHERS INTERNATIONAL LIMITED

SVENSKA HANDELSBANKEN PLC

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

Application has been made to the Council of The Stock Exchange for the Bonds, issued at 101.75 per cent. of their principal amount, in bearer form in the denominations of U.S.\$5,000 and U.S.\$50,000 each or in registered form in denominations of U.S.\$5,000 or any integral multiple thereof, to be admitted to the Official List. Interest on the Bonds will be payable annually in arrears, the first payment being due on 2nd April, 1988.

Listing Particulars relating to the Bonds and the Issuer are available in the Extel Statistical Service and copies may be obtained during usual hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 8th April, 1987 from:

Morgan Guaranty Ltd  
30 Throgmorton Street  
London EC2N 2NT

Cazenove & Co.  
12 Tokenhouse Yard  
London EC2R 7AN

Morgan Guaranty Trust  
Company of New York  
Morgan House  
1 Angel Court  
London EC2R 7AE

25th March, 1987



## UK COMPANY NEWS

## All-round growth for Woolworth

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

PRE-TAX PROFITS at Woolworth Holdings increased last year by more than 40 per cent to £115.3m, on turnover which rose 2 per cent from £1.76bn to £1.80bn.

The result, which exceeded the group's own forecast of last year by almost 10 per cent, included a £3.2m surplus on property disposals, the company said yesterday.

Earnings per share rose 25 per cent to 47.1p, compared with 37.7p last year. The board is recommending a final dividend of 11p, in line with expectations, making a total of 16p (10p in 1985-86).

It is also recommending a sub-division of the ordinary shares from 50p to 25p each. The move is expected to improve the marketability of the shares, which closed 12p higher last night at 85.4p.

Chief executive, Mr Mulcahy, said the result

represented a major step towards making the company the most profitable retailing group in Britain.

B&Q, the do-it-yourself retailer, maintained its recent progress. Sales rose 31 per cent and retail profits were 37 per cent higher at £45.5m.

With 29 new stores opened during the year, and similar expansion plans for this year, B&Q was now more than half as big again as Tesco, the leading food retailer.

Mr Mulcahy said the company's sales were up 2 per cent, compared with 1985-86, and its profits were up 40 per cent.

Woolworth's high street

stores, slimmed down and benefited from the Focus merchandising strategy, more than doubled profits to £38.7m.

Woolworth Properties produced income of £49.4m, compared with £48m last year. The company said its activities in property development would increase substantially as a result of the joint venture agreement signed last December with Rosebush.

The deal involves the joint exploitation of prime town-centre sites worth some £700m.

Mr Archie Norman, group finance director, said the property arm expected to have 500,000 sq ft of space under or awaiting development by the end of the year.

Capital investments last year totalled £145m, Mr Mulcahy said, compared with £124m in the previous 12 months. Interest charges rose from £28.7m to £31.1m after allowing for

capitalised interest of £4.9m (£2.9m in 1985-86).

A £16m extraordinary charge, put down to the cost of the defence against last year's bid from Dixons Group, was announced at the interim stage.

Mr Mulcahy said the group was looking for more acquisitions, recently made a recommended £19.2m offer for the Charlie Browns car parts and service chain, and failed in a bid for Underwoods, chemists chain.

Although the company was not acquisition-led, he added, forecasting more growth from the existing operations, it was looking for "any appropriately priced opportunity to acquire specialist retail businesses which can benefit from our innovative retailing skills and our property and financial muscle."

See Lex

## Maxwell lifts stake in Extel to 26.4%

By Nikki Tait

Shares in Extel, the business and sports information group, jumped 9p to 497p yesterday on news that Mr Robert Maxwell, the publisher, has increased his stake in the company to 26.4 per cent.

Mr Maxwell originally bought into Extel during an abortive takeover bid by Demerger last year and, because he was deemed to be acting in concert with Demerger at one stage, was barred from making his own bid for the company for a further 12 months. The ban expires at the end of next month.

Mr Maxwell previously held a slightly larger stake in Extel, but this was diluted by Extel's purchase of The Dealer's Digest, the US financial publishing group, last summer. At the end of last year, Mr Maxwell transferred his 24.7 per cent holding to Pergamon Media Trust, a new UK-based company in which he has no beneficial interest.

The latest addition to that holding — a purchase of 880,577 shares — was made by BPCC Printing Corporation PLC, a subsidiary of the publicly-quoted BPCC, and takes the interest of Pergamon Media Trust and its associates to 26.4 per cent.

## Dalgety in talks

Dalgety is in talks with Verenigde Bedrijven Nutricia to buy its subsidiary Friesland. The deal is a major producer of extruded snacks under the Nibb-it name. It also supplies dehydrated vegetables and has an annual turnover of £1.6m (£26m).

Dalgety already owns Golden Wonder (Holland).

## BAe profits soar 21% to £182m on sales of £3.1bn

BY LYNTON McLAIN

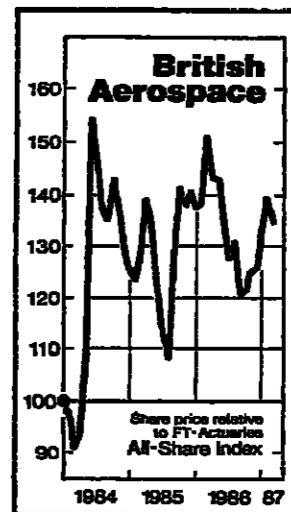
British Aerospace finished its first year as a fully privatised company, 1986, with pre-tax profits, before an extraordinary item, of £182.2m, up 21 per cent on the previous year. Sales reached £3.1bn, a rise of 18 per cent over the previous year. Exports accounted for two-thirds of sales.

The BAe board proposed a final dividend of 11p per share payable on June 2 1987 to shareholders registered at the close of business on April 17 1987. This brings the total dividends paid for 1986 to 17.4p per share, an increase of 10 per cent over 1985. Earnings per share last year were 51.4p, compared with 56.4p in 1985, reflecting the higher number of shares last year and the higher tax bill.

The extraordinary item was the full provision of £57.1m, less attributable tax of £13m, for the closure of the BAe manufacturing facilities at Weybridge.

BAe made a trading profit of £217.2m compared with £211.1m in 1985. The trading profit included interest attributed to customer advances.

Sales of military aircraft continued to be a significant contributor to profits with a



Share price relative to FT-100 index

1984 1985 1986 87

profit last year of £146m, compared with £148.5m in 1985.

The worst performing sector last year was the civil aircraft business, which produced a loss of £7.7m compared with a loss of £2.5m in 1985.

The company had an order book at the end of last year valued at £8.6bn, compared with £5.1bn at the end of 1985. This latest total included only the initial orders resulting from the

£5bn military aircraft contract with Saudi Arabia.

## ● comment

British Aerospace's prudent approach to the recognition of profits left rather more up the corporate sleeve than some analysts had bargained for, and the share price took a nasty drubbing to close 28p down at 828p. The response looked unduly pessimistic: the theme running throughout the presentations yesterday was BAe's determination to adopt conservative accounting procedures to smooth out profits growth, and the current level of orders together with the levelling out of the tax charge suggests that the bottom line advance which eluded the company in 1986 should be more easily attainable over the next few years. With profits forecasts for 1987 around the £220m mark, the prospective p/e of 11 looks undemanding on trading grounds alone, but the decisions on the Royal Ordnance sale and launch aid for the A330 and A340 are likely to prove more relevant to the price in the short term. No one but a cynic would suggest that the Government might be swayed towards favourable verdicts on either by a desire to improve the climate for the pricing of Rolls-Royce.

## Burford joins the USM with £8m value

BY MIKE SMITH

Burford Group, the property investment and trading company, is joining the Unlisted Securities Market at a market capitalisation of £8m.

Brokers Alexander, Laing and Cruickshank yesterday placed 2m new shares in the company, representing 20 per cent of the enlarged equity, at 80p each. The issue raises £1.6m, all of which will be put back into the company.

Burford was formed in 1982 as a property trading company. It expanded into property investment following the arrival of Mr Nick Leslau, now joint managing director.

The investment side of the business has three major commercial properties: the Piccadilly Plaza, in Manchester, which comprises a five star hotel, two office towers, a shop-

ping area and car parking facilities; the Priory and Cannon House in Birmingham, a complex of offices and shops and Henrietta House in London, W1, another offices and shops complex.

Burford's pre-tax profits have risen from £24,000 in 1982 to £495,000 in 1986.

Dealings in the shares are expected to start on Monday.

## Garfunkels advances to £4.8m

GROWTH AT Garfunkels Restaurants has continued. In 1986 profits advanced by 41 per cent to £4.8m, with 16 new restaurants being opened and five refurbished.

The dividend is lifted from 1.3p to 1.5p net, with a final of 1.25p on capital increased by the issue against the purchase of five sites last September. Also proposed is a 1-for-5 scrip issue.

Turnover for the year improved from £22.2m to £28.5m, representing growth of 29 per cent. After tax £1.65m (£1.24m) and £1.24m (£1.24m) (£22,000), the net attributable profit came to £3.09m (£2.14m) and earnings were 9.57p (7.30p).

There was an extraordinary credit of £315,000 (£39,000) mainly relating to the net profit on the sale of a franchise property.

The group owned 74 branches at the end of the year. A significant number of new units were planned for 1987.

The current year should be another good year, the directors claimed, following an encouraging start.

## ● comment

Having taken the effects of last year's tourism downturn in its stride, Garfunkels is growing in confidence. This year it plans to add another 20 or so restaurants to the 74 it ended up with at the end of 1986. As the company expands, overheads take up proportionally less of revenues, purchasing power grows and margins improve.

And, because most of the growth is outside London, profits will be less at risk from another Chelmsford or Gadsby score. For this year the company should be able to achieve £5.7m pre-tax, putting the shares at 198p, up 4p on a prices earnings ratio of about 18. With net cash in the bank of about £2.5m Garfunkels will be able to pay for expansion without calling for funds from shareholders. Nonetheless the share price is up with events.

PRUDENTIAL CORP has bought Chiltern Estates with residential sales offices in Buckinghamshire and Hertfordshire. This raises the groups estate agency outlets to 383. Consideration, not disclosed, was in cash and shares.

## Bestwood profit soars to £2.4m

BY NIKKI TAIT

Bestwood, the rapidly-expanding investment and property services group, based by former stockbroker Mr Tony Cole, more than doubled its pre-tax profits to £2.4m during 1986 on turnover more than trebled at £20.6m. Earnings per share rose by more modest 56.2 per cent to 7.5p.

Mr Cole said that the com-

pany was continuing to rationalise its engineering division, but had a number of acquisitions in mind for the current year and was still looking to add a "fourth leg" to the business.

Current year figures, according to the company, would benefit from the profit on a development site in West

London—to the tune of perhaps £1m—and from an unqualified pension holiday.

The comparative performance of Bestwood last year is complicated by the substantial acquisitions made and the fact that the company has used a mix of acquisition and merger accounting.

There is a firm tax charge (£391,000), leaving net profits of £1.42m (£558,000). A further £308,000 is written off below the line—the extraordinary costs of the abortive bid for Country Gentlemen's Association less the profit on the sale of John Brown (Printers). The dividend is unchanged at 2p a share, on the enlarged capital.

Mr Cole confirmed yesterday that his letter protesting at the Whitbread "umbrella" — the stakes held by the company and Whitbread Investment Company in regional breweries — had now been sent to the Office of Fair Trading.

## Wardle extends Phipps offer

The bid by Wardle Stores for Chamberlain Phipps, the shoe components and adhesives group, hit its first closing date with acceptance totalling 0.47 per cent of the shares in

issue. Chamberlain immediately dis-

missed the acceptance level as "desirable" but Wardle has extended the offer for the full 60 day period, ending on May 1.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total dividend	Total dividend last year
Abbeycrest	3.15	May 12	—	—	—
Adia Higgs	5.75	May 12	4.3*	—	6.5*
Alva Trav	1.5	May 14	—	2.6	2.3
Arcoson Group	0.55	June 16	0.4	—	1.1
Ben Bailey	0.4	June 25	nil	—	0.25
Bridport-Gundry	1.9	May 29	1.65	—	6.25
Brikat	30.75	July 13	1.7	—	4.2
British Aerospace	11	June 2	10	17.4	15.8
D. Bryant	2	May 11	5.4	2	8.1
Camford	—	—	4	7	—
Chambers Fergus	—	—	nil	—	1.76
Chiffard's Dairies	5	Apr 18	7	8	7.2
Cisco Bros	—	May 1	2.8	—	8
Coats Viroflex	10	July 1	8	14.5	12
Davidson Pearce	1.8	May 18	1.5	3	1.5
Eadie Holdings	11.5	—	—	1.5	—
Equity Law	138	July 1	5.7	9	6.7
Garfunkels	11.29	June 11	1.09	1.5	1.3
Hall Engineering	6.02	May 15	4.71	10.05	8.37
Hambro Countrywide	5	May 18	3	51	4.6
Johnson Grp Cl sec int	18	—	16.3	23	20.5
Thomas Jourdan	3.25	May 8	2.63*	4.5	3.68*
Lepor	2.4	May 18	—	4.2	—
Pantherella	11.5	May 11	10	19	16
P & O	0.85	—	0.7	—	2.5
Proscac	19	—	17	29	26
Prudential	112.88	—	2.4	5.28	4.8
Rahan Group	211	—	0.5	nil	0.5
Rockwood	22.5	May 15	20	35	30.5
Stand Chartered	11.77	—	1.54	—	5.25
Tay Homes	2.3	May 28	—	2.3	—
Tibbett Britten	16	Apr 24	10.3	21	15
Trinity Intnl	7.25	May 28	6.25	10.75	8.75
Wills Faber	2.5	May 21	2.5	2.5	2.5
A. Wood (Long)	6.25	May 14	5.25	9	7.75
Wolstenholme Rink	—	July 2	7	18	10
Woolworth	—	—	—	—	—

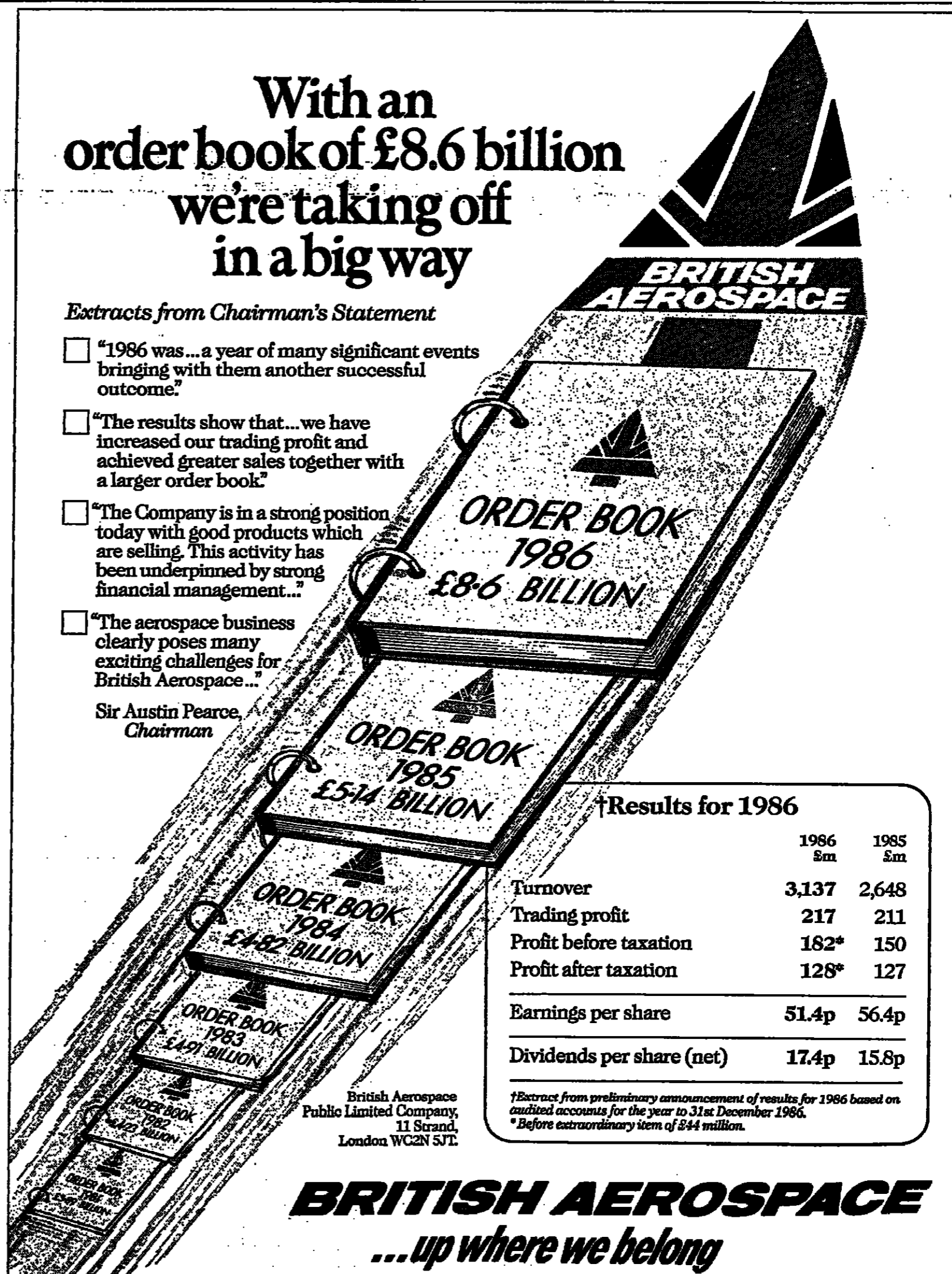
Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For seven months (12 months). || Shares offered for sale in May 1986. \*\* For 16 months. †† Irish penny throughout. ‡‡ Single payment only for 1986. Company has discontinued practice of paying interim and final dividends.

## With an order book of £8.6 billion we're taking off in a big way

## Extracts from Chairman's Statement

- "1986 was... a year of many significant events bringing with them another successful outcome."
- "The results show that... we have increased our trading profit and achieved greater sales together with a larger order book."
- "The Company is in a strong position today with good products which are selling. This activity has been underpinned by strong financial management..."
- "The aerospace business clearly poses many exciting challenges for British Aerospace..."

Sir Austin Pearce,  
Chairman



## Results for 1986

	1986 £m	1985 £m
Turnover	3,137	2,648
Trading profit	217	211
Profit before taxation	182*	150
Profit after taxation	128*	127
Earnings per share	51.4p	56.4p
Dividends per share (net)	17.4p	15.8p

\* Extract from preliminary announcement of results for 1986 based on audited accounts for the year to 31st December 1986.  
\* Before extraordinary item of £44 million.

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THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REQUIREMENTS OF THE COUNCIL OF THE STOCK EXCHANGE. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary share capital of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

## RELIANCE SECURITY GROUP plc

(Incorporated in England No. 1473721)

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by

### CHARTERHOUSE BANK LIMITED

of 1,800,000 Ordinary shares of 5p each at 140p per share

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Authorised  
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The Company provides insured security services to a wide range of customers in England and Wales. It currently operates from thirteen operational centres in London and the South of England, Birmingham and Cardiff. A new operational centre will be opened in Warrington in April 1987.

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LONDON  
EC2M 2QE

CHARTERHOUSE BANK LIMITED  
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25 March 1987.

New Issue  
March 25, 1987



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Dearborn, Michigan, U.S.A.

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5 3/4 % Bearer Bonds of 1987/1992 with Currency Warrants

Offering Price: 116 1/4 %  
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Repayment: March 25, 1992 at par  
Subscription Right: each bond of DM 1,000 will be issued with two warrants entitling the holder from April 8, 1987 until and including March 6, 1989 to subscribe for U.S. \$ 500 each at a rate of DM 1.88 per one U.S. \$ Frankfurt Stock Exchange (Bonds and Warrants)

Deutsche Bank Aktiengesellschaft	Citibank Aktiengesellschaft	Commerzbank Aktiengesellschaft
Banque Nationale de Paris	Dresdner Bank Aktiengesellschaft	Goldman Sachs International Corp.
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The Nikko Securities Co., (Deutschland) GmbH		Westdeutsche Landesbank Girozentrale
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## Shell UK to develop new North Sea fields

By Lucy Kellaway

Shell UK is planning to obtain permission this year for the fields in the North Sea, the company's chairman, Mr Bob Reid said yesterday.

The fields are the medium sized Kittiwake field, which will cost about £380m to develop, and the smaller Osprey which will be tied into an existing oil platform.

Mr Reid said he also hoped to press ahead with the development before the end of the year of the large Sole Pit gas field, although the timing would depend on the progress of talks with British Gas, which are now underway.

He was speaking at the announcement of Shell UK's results for 1986, which showed profits after tax unchanged, of £757m, an increase of £200m over 1985, which was depressed by one-off restructuring costs of £94m. The company said that on the whole the year had been a good, with higher earnings from oil refining and marketing and from chemicals offsetting lower profits from crude oil production.

In 1986 Shell's production accounted for about one sixth of total UK output with production of 1.5 million barrels a day, and gas at 5.9bn cubic metres. The company said its oil output would fall this year as production from the Brent field declines.

After tax profits from exploration and production showed a relatively small decline of £126m to £539m. While profits before tax fell from £2.1bn to £869m, the tax burden declined dramatically, with the PRT charge almost eliminated.

Profits from refining and marketing doubled to £187m last year. The company attributed the improvement to changes made during the year - including the introduction of Formula Shell, which resulted in increased market share - as well as to higher margins caused by the collapse of crude oil prices.

Shell said yesterday that margins had been badly squeezed in the last quarter of 1986, but were now showing some improvement.

Profits at Shell Chemicals increased threefold to £35m, as a result of successful restructuring of the division, and lower raw material costs.

During the year capital expenditure was slightly higher at £644m, with a £28m fall in investment in the North Sea more than offset by the costs of improving the refinery at Stanlow.

## T & B profits surge past £3m mark

By Ralph Atkins

Thibbitt & Britten, bought by its management in 1984 and floated on the stock market last July, increased its profits to £3.2m from £1.9m in 1986.

The group, which distributes clothing to retailers, increased turnover to £36.05m from £32.59m. Earnings per share rose to 8.1p from 6.7p.

About half of T & B's turnover comes from trade with Marks and Spencer but Mr John Harvey, chairman, said the group was developing other areas as well.

The group hopes this year to contribute to profits from Retail Consolidation Services, set up to develop and manage specialist distribution operations for other retailers.

The group had net investment income of £46,000 in 1986 - mainly arising from interest on the proceeds from its flotation. Gearing at the year end was 25 per cent.

The group said its international division, which accounts for about 5 per cent of turnover, had been hit by exchange rates and also because its main European trading partner had been sold to a competitor. An exceptional item of £200,000 had been allowed for reorganisation of the division.

A first and final dividend of 2.5p is proposed. The tax charge increased to £1.23m from £502,000.

## Close Brothers lifts profits by 36%

Close Brothers, the merchant banking group in which Caledonia Investments in January purchased a 10.6 per cent stake for about £3.5m, lifted pre-tax profit by more than 36 per cent from £1.5m to £2.03m at the midway stage to January 31, 1987. The directors also proposed a one-for-one scrip issue.

They said that the future prospect in all sections of the business remained encouraging and the company looked forward to another successful year. At the year end on July 31, 1986 Close Brothers reported profits of £2.5m.

The directors added that the company was continuing to examine possible acquisitions. After tax of £11,000 (£417,000) and a minority interest debit of £22,000 (£8,000 debit), earnings per share worked through at 7.53p, up from 5.58p last time. The declared interim payment is lifted from 2.5p to 3p.

## UK COMPANY NEWS

### Hall Engineering up 25% and this year starts well

SECOND-HALF profits up from £2.37m last time to £2.91m gave Hall Engineering (Holdings) a 1986 pre-tax figure of £5.34m, a 25 per cent increase on the previous year's £4.25m. Turnover totalled £128.57m, against £119.32m.

The company said there had been an encouraging start to the current year and the board was confident of another year of solid growth.

Hall, in which the Richardson brothers have recently increased their stake to 9.5 per cent, is to pay a final dividend of 6.02p for a total payment up from 8.37p to 10.05p. Stated earnings per 30p share advanced to 24p (20.3p).

Pre-tax profits included a £1.37m (£1.13m) share from associates and investment income, less amounts written off, of £24,000 (£19,000 debit), but

were after charging interest paid of £1.39m (£1.88m) and exceptional debits of £751,000 (£459,000 credits). Tax took £1.85m (£1.20m) and there were also significant increases in extraordinary charges of £1.15m (£87,000). The company said progress had been made with reorganisation and rationalisation, including the disposal of assets which were not earning an adequate return.

#### comment

Hall Engineering could do with some reinforcement - although the kind that the Richardson brothers have offered via their 9.5 per cent stake is not what the company has in mind. The South African operations have apparently moved from a small loss to a £1.2m operating profit. However, this swing round owes a

lot to the movement of at least £1m of trading losses into the extraordinary account following the closure of the steel foundry (which in the last annual report was functioning "at a more satisfactory level") plus the £200,000 benefits of a stronger Rand. RSC had another £240,000 lavished on it (taken as an exceptional) which compares unfavourably with the £1.5m operating profit. Trading losses from Rance Compro of £1.5m also helped swell the extraordinary account. While everything in the steel stockholding garden is reputedly lovely (an opinion shared by few analysts), operating profits were down £200,000 in this area. This year's £84m pre-tax appears likely, as does a properly revalued and some write-down of the £25m invested in South Africa.

### Candover growth continues

FURTHER substantial growth in profit and net assets has been achieved by Candover Investments, the management buy-out specialist.

In 1986 profit before tax rose from £764,000 to £895,000 and basic earnings from 6.21p to 8.24p. There is a final dividend of 5p making a total of 7p net, against 4p.

By the year-end net assets attributable had risen to £18m, a 27 per cent increase over the previous £14.18m. That was equivalent to 252p per share, against 198p.

Candover invested in 17 companies of which 13 were management buy-outs, including

the first two under the Electra Candover Direct Investment Plan (Bovater UK Paper and the Fairley Group).

The largest UK buy-out led by Candover was Buxton Holdings. Overseas, it made three investments in management buy-outs organised by the US associate, and also made its initial management buy-outs in the Netherlands and Italy.

The Hoare Candover Exempt Fund, managed by Candover, was fully invested and showing a compound annual return to investors of some 35 per cent.

A successor fund was currently being raised which would

strengthen the company's ability to finance transactions below the size for which Electra Candover was intended.

#### comment

Management buy-outs, once an arcane oddity, are now every macho investment banker's favourite technique and Candover is finding itself out in the battle to find new investments. As a consequence, interest outcome is edging up as a proportion of total profits as funds sit and wait for an outlet. Part of the solution is to look for smaller and less competitive situations and that explains the new fund for investments of under £10m. But the fashionability of buy-outs gives Candover some definite advantages - unusually, for an investment trust it sits at a premium to its assets. True, those assets are largely valued by directors but in fact, when the companies involved join the stock market, as four are likely to do this year, Candover normally receives a healthy premium over the book value. That prospect alone should buoy the shares, currently at 266p, up 12p on yesterday's results.

### All-round growth at Trinity

MARKED IMPROVEMENTS in productivity in all divisions made a significant contribution to 1986 earnings growth at Trinity International Holdings, newspaper publisher and paper and packaging maker.

Although turnover was little changed at £83.7m, against £83.4m, pre-tax profits jumped 47 per cent from £4.68m to

£6.83m. Earnings per 50p share were 54.3p (38.3p) and the final dividend is lifted to 16p for a total of 21p (15p).

All three divisions produced increased profits. Papermaking and packaging contributed £5.1m (£3.73m), North America newspapers £3.33m (£1.62m) and UK newspapers £1.49m (£0.85m).

Extracts from the statement by the Chairman of Anglo American Industrial Corporation, Mr. W. G. Boustred

## AMIC

Amic's attributable earnings improve by 51 per cent largely due to record results achieved by Mondi Paper Company, Highveld Steel and AECI

Results for the year  
Amic's attributable earnings before extraordinary charges for the year ended December 31 1986 amounted to R260 million, an increase of 51 per cent over the previous year. Earnings per share increased by 49 per cent from 94¢ cents to 1.40 cents. This result has been achieved notwithstanding the difficult conditions both in the domestic economy and in the international markets in which many of Amic's companies participate.

The improvement in the group's earnings was largely due to the significantly improved results of the major operating subsidiaries and the excellent performance of AECI, Amic's major associate.

#### Economic Review

Bold and imaginative initiatives on the political front obviously remain the overriding prerequisite for sustained economic growth. Control of the rate of increase in production costs is also of the utmost importance as it must be recognised that currency depreciation, which compensates exporters for rising costs, is not a satisfactory answer. Beyond its initial advantages, it simply establishes a vicious circle of inflation and further devaluation which is detrimental to growth prospects. Containment of manpower costs is a crucial challenge which must be met, to the maximum extent possible, by improved productivity. Shortages of skills have been aggravated by emigration, and strong wage and salary pressures and increased training needs will accompany even modest recovery. At the unskilled level, demands for compensation from the ravages of inflation and for what is perceived to be a fair share of total earnings are bound to grow. These issues will have to be resolved in a manner which is not prejudicial to business viability and, accordingly, the ability to create more jobs and extend the fruits of economic growth more widely.

Industrial relations  
It is pleasing to be able to report that relations between management and trades unions representing employees in the Amic group continued to be constructive throughout 1986. However, a number of factors are placing these relations under strain.

The state of emergency, re-imposed in the middle of 1986, has had a direct effect on labour relations through the detention of union leaders. Government has indicated that these detentions do not seek to attack trades unions or the labour relations process and it is essential that such detainees should be afforded the benefits of the due legal process without delay.

In 1986 a significant number of foreign companies withdrew from South Africa in the face of pressures from the disinvestment movement, particularly in the United States. A number of trades union groupings have been broadly supportive of such strategies. This support is difficult to understand in the light of the real hardships that these measures impose on workers - many of whom are trades union members - and their many dependants. It is most important that these trades union groupings review their positions before employment opportunities are even more severely reduced.

Underlying the sanctions debate is the urgent need for the creation of channels through which black South Africans can exercise constructive political influence through appropriate political organisations, releasing the union movement to concentrate on the economic concerns of its membership.

#### Outlook for 1987

In last year's review attention was drawn to the uncertainties which faced the corporation and the difficulties involved in making any realistic forecasts for 1987. In the event, attributable earnings improved by 51 per cent. Because of the continued uncertainty it is again not possible to forecast the results for the year ahead, but if Amic is able to maintain its earnings at last year's level this would have to be regarded as a satisfactory performance.



London office: 40 Holborn Viaduct, EC1P 1AJ

## GRANVILLE SPONSORED SECURITIES

High Low		Company	Price	Change	div.(p)	%	P/E
181	118	Ass. Brit. Ind. Ordinary	180	-	7.5	4.8	5.8
181	121	Ass. Brit. Ind. CULS	183	-	10.0	8.1	-
40	28	Amalgamated and Rhodes	38	-	4.2	11.7	6.0
80	84	BBB Deagle Group (USM)	78	-	1.4	1.9	28.1
221	108	Bardou MIR Group	221	-	4.8	2.1	28.1
111	58	Bay Technology	111	+1	4.3	3.8	18.2
132	78	CCI Group Ordinary	132	-	2.8	2.2	8.4
107	86	CCI Group 11pc Conv. Pl.	89	-	16.7	15.9	-
271	118	Carborundum Ordinary	267	-	5.1	3.4	12.9
94	80	Carborundum 7.5pc Pl.	84	-	10.7	11.4	-
125	76	George Blair	91	-	3.8	4.2	2.3
118	57	Ind. Precision Castings	118	-	8.7	5.8	10.4
178	119	Jale Group	129	-	5.8	-	-
124	101	Jackson Group	122	-	6.1	6.0	8.3
377	280	James Burrough	367	-	17.0	4.8	10.3
100	88	James Burrough Spc Pl.	91	-	12.8	14.2	-
1,035	342	Multihouse NV (AmstSE)	376	-35	-	-	38.4
380	260	Record Ridgway Ordinary	389	+2	-	-	8.4
100	83	Record Ridgway 10pc Pl.	85	-	14.1	16.6	-
9	87	Robert Jenkins	89	-	-	-	9.9
72	30	Southern	72	-	-	-	-
153	67	Tanday and Carlisle	153	+1	8.7	3.7	9.3
340	321	Tavlin Holdings	324	-	7.3	2.4	6.7
91	42	Uniflock Holdings (SE)	69	-	2.8	3.1	16.4
130	65	Walter Alexander	130	-	6.0	3.8	12.4
200	190	W. S. Yates	193	-	17.4	9.0	19.3
106	67	West Yorks Ind. Hosp. (USM)	100	-	5.8	5.8	14.3

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## A FINANCIAL TIMES SURVEY

### DRINKS INDUSTRY

This survey is due to be published on 18 May 1987

It will feature articles on:

THE MAJOR BREWERS  
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THE BEER MARKET  
SOFT DRINKS  
BREWING TECHNOLOGY  
THE UK AND INTERNATIONAL DRINKS SCENE

If you wish to know more about this survey and would like an editorial synopsis or information on advertising, please contact:

NIGEL BICKNELL  
on 01-245 8000 Ext 3365

or write to him at

Bracken House, 10 Cannon Street  
London EC4A 4BY

The content, size and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor

## UK COMPANY NEWS

## Willis Faber's £75m falls short of City expectations

BY NICK BUNKER

Willis Faber, one of London's biggest Lloyd's insurance broking groups, yesterday reported 1986 pre-tax profits up 17 per cent at £74.5, falling slightly short of the City's expectations.

Mr David Palmer, group chairman, said the results showed strong overall growth in mainstream insurance broking activities.

Brokerage and expenses both showing an underlying increase of 21 per cent, after excluding the effects of currency movements.

Willis's foreign exchange management policy boosted profits by £8.2m. But the group said that 1986 had been a very good year in this respect and that it did not have a policy of trying to make profits from currency management.

After-tax, Willis reported gross profits of £68.1m on its ordinary activities. Earnings per share increased by 22 per cent to 25.96p, after taking into account a lower tax rate and an after-tax appropriation of £549,000 for the 2,318 members

of the Willis Faber Profit Sharing Scheme.

The board has recommended a final dividend of 7.25p making a total dividend of 10.75p, 23 per cent up on the 1985 figure.

Group pre-tax profits included a £25m (£20.2m) contribution from associated companies, of which £18.1m came from Morgan Grenfell, the merchant banking group, in which Willis has a stake of more than 20 per cent.

Willis said it had bolstered the reserves of its insurance company subsidiaries, resulting in a loss there of £1.8m.

Investment income and dividends rose only nine per cent to £21.2m. It was constrained by lower interest rates, Willis said. Interest payable by the group rose from £1m to £2.06m, reflecting the higher level of medium term borrowing to finance increased long-term investments.

Willis said it had restated by £3.36m in its accounts the 1985 results for Morgan Grenfell, to reflect the merchant bank's change in its accounting basis

at the time of its flotation last summer.

## ● comment

Marked down 12p to close at 415p, Willis now looks cheaper than it has for some time.

Reasonable estimates of earnings per share of 28.5p for 1987 leave it on a prospective multiple of 14, an undemanding rating for a broker still regarded as the sector's star alongside Stewart Wrightson.

True, marine insurance broking remains flat, with world shipping traffic still depressed, and January's earlier reinsurance renewal season in London yielded no signs yet of an easing in the market for heavy-duty North American liability risks.

Yet Willis has held back expenses growth (another of the sector's bugbears). Strip out increase in errors and omissions insurance premiums, and other extraordinary, and expenses grew 15 per cent in sterling terms.

It was Morgan Grenfell's unexciting results that seem to have held back Willis Faber's share price.

## Flotation puts £28m ticket on Airtours

BY RICHARD TOMKINS

Airtours, the Lancashire-based tour operator which earlier this month unveiled its plans for a listing, yesterday published the prospectus for placing which will put a value of £28.35m on the company.

The British Linen Bank is placing 4.725m shares—some 30 per cent of the enlarged equity—at 180p each. Of the £8.5m proceeds, nearly £7.2m will be split between Mr David Crossland and Mr Thomas Trickett, Airtours' founders, and about £1.3m will go to the company.

Joint brokers to the issue are de Zoete & Bevan and Henry Cooke Lamsden.

Airtours began as a travel agency business which was bought by the two founders in 1972. It began tour operations in 1980, aiming to introduce curative foreign travel to Mancunians who had never been abroad before.

Initially most of its holidays were to Malta and the

Balearics but its programme has grown to include other destinations—most recently, the Caribbean. Its customer base has also expanded beyond the Manchester area.

The growth of the tour operating business has been accompanied by the acquisitions of Carusel Holidays, a Midlands operator, and the disposal of the original travel agency business to Hogg Robinson (Travel) in December for £2.75m.

The prospectus shows pre-tax profits rising from £130,000 in 1982 to £2.03m in the year to last September on turnover up from £3.27m to £54.98m. For the current year, Airtours says it had taken 156,000 bookings at the end of February compared with 124,000 at the same time last year, and forecasts pre-tax profits of at least £3.25m.

On this basis the prospective price/earnings multiple after a notional 35 per cent tax charge is 13.1. The indicated gross dividend yield is 4.23 per cent.

## Clifford's advances 17%

Clifford's Dairies, processor and distributor of milk, dairy products and groceries, produced pre-tax profits 17 per cent higher at £4.52m.

The figures included 10 months' contribution from Morton Foods, which had shown strong growth and good profits since its acquisition in March 1986, said directors.

Cream margins had remained poor but in other areas trading had been satisfactory, they said. Turnover for the year to

December 31 rose from \$94.58m to \$93.63m. Operating profit was higher at \$5.01m (£4.51m), while associated companies contributed £173,000 (£111,000), and interest took \$665,000 (£744,000). There was an extraordinary credit of £117,000 (£330,000).

Tax took £1.76m (£1.68m), giving adjusted earnings per share of 19.58p (17.35p).

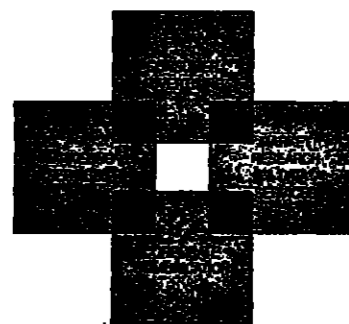
Directors recommended a final dividend of 5p (4.7p), making 8p for the year, against last year's 7.2p.

## PRELIMINARY RESULTS

	Year ended December 31 1986	Year ended December 31 1985
Turnover	112,947	100,109
Profit before taxation	3,577	2,329
Profit after taxation and minority interests	1,585	918
Earnings per ordinary share	12.37p	7.72p
Dividend per share	4.2p	4.0p

The figures are unaudited from unaudited accounts which have been or will be delivered to the Registrar of Companies.

- ☒ All 1986 forecasts exceeded.
- ☒ Pre-tax profit increased by 54% over 1985.
- ☒ Earnings per share increased by 60% over 1985.
- ☒ Group strategy remains one of balanced growth within four sectors in the UK and overseas.



Copies of the Annual Report and Accounts will be available after April 10 from The Secretary Lopes plc, Alliance House, 63 St. Martin's Lane, London WC2N 4BH. Telephone: 01-636 0281

## Reliance Security to join USM

BY RICHARD TOMKINS

Reliance Security, a London-based company which guards and patrols offices, factories and other premises in England and Wales, is joining the unlisted securities market at an initial capitalisation of £14.4m.

Charterhouse Bank is placing 1.8m shares, or 17.5 per cent of the enlarged equity, at 140p each. Of these, 350,000 are being sold by Mr Brian Kingham, the company chairman, and the rest are new shares which will raise £1.7m net for the company's expansion.

Reliance was founded by Mr Kingham in 1973 and has grown

to be one of Britain's biggest companies in the manned security services sector. It originally served only London, but by 1982 had built up a strong presence in the south-east and more recently opened operating centres in Birmingham and Cardiff.

Turnover in the security industry at end-user prices grew by 51 per cent from 1981 to 1985, and turnover in the guard and patrol sector by 67 per cent. Reliance has outpaced this growth with a 157 per cent increase in turnover in the same period.

Pre-tax profits have risen from £571,000 in 1982 to £1.16m

in the year to last April in spite of a hiccup in 1984 caused by the initial costs of expansion. The move into profitability of new operating centres is one of the factors behind the forecast increase in pre-tax profits to £1.5m for the current year.

Reliance is coming to the market on a prospective price/earnings ratio of 12.6. This compares with a prospective multiple of about 10 for Securigard, another USM-quoted security group, but Securigard has only recently recovered from a profits downturn.

Joint stockbrokers to the Reliance issue are L. Messel and Charterhouse Tilney.

## Johnson Cleaners rises 13%

Johnson Group Cleaners has boosted its pre-tax profits by 13.3 per cent to a record £8.82m despite the impact of a weaker US dollar against sterling and the disposal of peripheral businesses.

The group, whose purchase in January of three US dry-cleaning companies for £3.8m pushed its American division to more than 33 per cent of the business, produced turnover up slightly from \$89.6m to \$90.26m for the year to December 27, 1986.

Directors have increased the dividend by 12.5 per cent from 20.5p to 23p, with a second interim of 18p (16.3p).

Mr Philip Bollow, chairman, said the figures had benefited from a significant reduction in interest costs from \$3.07m to \$2.6m, reflecting the proceeds from the disposals of non-trading properties and surplus business assets.

Trading profits from the dry-cleaning division fell from \$8.19m to \$7.88m. The group remained the largest dry-

cleaning organisation in the UK, said Mr Bollow. Shop layout and design had been improved over the past year.

In the US, the performance of Best Cleaners was unsatisfactory during the early part of the year. Reorganisation, however, resulted in a significant improvement in efficiency in the final quarter.

Johnson Group Inc plans to continue its policy of organic growth and selective acquisitions, he said.

Profits from the textile rental division rose from \$2.35m to \$2.58m.

Interest receivable rose from \$159,000 to \$206,000. Tax took more at \$3.04m (\$2.36m), leaving attributable profit at \$5.78m (\$4.93m). Extraordinary items included a surplus on property sales of \$1.24m (\$4.82m), extraordinary costs of \$75,000 (\$881,000) and attributable taxation of \$420,000 (£1.17m), making a total of \$744,000 (£2.77m). Earnings per share were 43.7p, up from \$7.58p.

## ● comment

Johnson's concentration on dry cleaning and textile rental is working well and the outlook for the next few years looks good. In the dry cleaning business, the group has a 25 per cent market share of the UK market. This means the potential for further growth through acquisition is limited but full marks should be awarded for its US acquisitions. Here a fragmented market, even with adverse exchange rates, means there are a lot of opportunities for adding to its portfolio. If there is a black cloud on the horizon it is the group's image.

Its adherence to a policy of using many different trading names contrasts with that of its better known rival, Skotchdopie. This year will see a full 12 months' contribution from Lawtex and Clifton Cleaning, both acquired in October, which should help push pre-tax profits to about £10.5m.

Share price of 625p gives a prospective p/e of about 13—below market average and probably unduly pessimistic.

“ We believe that independent intermediaries are well placed to give consumers the wholly objective advice they want and need.

So we welcome the strengthening of their position provided by the Financial Services Act.

Equity & Law has always sold its products in the UK almost entirely through independent intermediaries, and we are confident that they will continue to find the products best suited to their clients' needs from among those we offer.

Sir Douglas Wass GCB, Chairman

## The results of our policies speak for themselves.

## FINANCIAL HIGHLIGHTS OF 1986

	1986 £ million	1985 £ million	Increase %
New annual premiums	51.1	45.2	13.1
New single premiums	166.4	120.1	38.6
Total premium income	380.7	301.0	26.5
Long Term Business Assets	3,591.0	2,891.4	24.2
Earnings	8.066	6.772	19.1
Dividends	8.050	6.730	19.6

\*1986 figures are fully audited.



Equity & Law

If you would like a copy of the full preliminary statement and a copy of the 1986 Report and Accounts (available on April 23rd), contact The Secretary, Equity & Law Life Assurance Society plc, Amersham Road, High Wycombe, Bucks HP13 5AL.

IBM

Credit Corporation  
IBM Credit Corporation

U.S.\$300,000,000  
6 3/4% Notes Due April 7, 1990  
Issue Price 101.25%

The following have agreed to subscribe or procure subscribers for the Notes:

Swiss Bank Corporation International Limited	Merrill Lynch Capital Markets
Credit Suisse First Boston Limited	Morgan International Limited
Morgan Guaranty Ltd	Union Bank of Switzerland (Securities) Limited
Salomon Brothers International Limited	
Algemene Bank Nederland N.V.	Banque Bruxelles Lambert S.A.
Banque Nationale de Paris	Banque Paribas Capital Markets Limited
County NatWest Capital Markets Limited	Crédit Lyonnais
Daiwa Europe Limited	Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft	Goldman Sachs International Corp.
ITCB International Limited	Mitsubishi Finance International Limited
Mitsubishi Trust International Limited	Swiss Volksbank
Julius Baer International Limited	Banca del Gottardo
Banca della Svizzera Italiana	Bank in Liechtenstein AG
Bank J. Vontobel & Co. AG	Banque Scandinave on Suisse
Compagnie de Banque et d'Investissements, CBI	Darier & Cie
Ferrier Lullin & Cie S.A.	Handelsbank N.W. (Overseas) Ltd.
Leu Securities Limited	Pictet International Ltd.
Sarasin International Securities Limited	Swiss Cantonalbanks
Unionvision SA, Geneva	

Application has been made to the Council of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the 6 3/4% Notes Due April 7, 1990 to be admitted to the Official List subject only to the issue of the temporary Global Note. Interest is payable annually in arrears on April 7, the first payment being made on April 7, 1988. Listing Particulars relating to the Notes are available from Exel Financial Limited and may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 9th April, 1987 from:

Swiss Bank Corporation International Limited  
Three Kings House  
100 Wood Street  
London EC2V 6AQ

Cranswick & Co.  
12 Tolpeltown Yard  
London EC2R 7AN

The Chase Manhattan Bank N.A.  
London Branch  
Woodgate House  
Coleman Street  
London EC2P 2HD

25th March, 1987

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

## CHRISTIANIA BANK OG KREDITKASSE

(Incorporated in the Kingdom of Norway with limited liability)

**¥15,000,000,000**

**7½ per cent. Notes Due 1992**

**Issue Price 101¼ per cent.**

The following have agreed to subscribe or procure subscribers for the Notes:

**Yamaichi International (Europe) Limited**

**Mitsui Trust International Limited**

Application has been made for the Notes, in bearer form in the denomination of ¥10,000,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Note. Interest will be payable annually in arrears on 30th March in each year from and including 30th March, 1987. The first interest payment will be due on 30th March, 1988.

Particulars of the Notes and the Issuer are available in the statistical services of Exel Financial Limited. Copies of the listing particulars relating to the Notes may be obtained in the form of an Exel Card during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, Throgmorton Street, London, up to and including 27th March, 1987 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 7th April, 1987:—

**Cazenove & Co.,**  
12 Tokenhouse Yard,  
London EC2R 7AN.

**Citibank, N.A.,**  
Citibank House,  
336 Strand,  
London WC2R 1HR.

25th March, 1987

### STANDARD CHARTERED PLC

The Directors announce the results of Standard Chartered Group for 1986, as follows:

	1986	1985
£ million	£ million	
<b>Trading profit</b>		
Company and subsidiaries	2102	2054
Share of associated companies	437	625
<b>Profit before taxation</b>	<b>2539</b>	<b>2679</b>
Taxation:		
United Kingdom	130	414
Overseas	728	609
Share of associated companies	105	233
	<b>963</b>	<b>1256</b>
<b>Minority interests</b>	<b>157.6</b>	<b>142.3</b>
	<b>6.6</b>	<b>9.6</b>
<b>Earnings</b>	<b>151.0</b>	<b>132.7</b>
Extraordinary items	(8.7)	15.7
<b>Profit attributable to members of the Company</b>	<b>142.3</b>	<b>148.4</b>
Dividends: Interim	19.5	16.3
Final	35.0	31.1
<b>Profit retained</b>	<b>87.8</b>	<b>101.0</b>
<b>Earnings per share</b>	<b>97.0p</b>	<b>85.3p</b>

**DIVIDEND:** The Directors will recommend at the Annual General Meeting on 7th May 1987, a final dividend of 22.5 pence per share, making a total distribution for 1986 of 35.0 pence per share. The final dividend will be paid on 15th May 1987, to shareholders on the Register on 16th April 1987.

**Standard Chartered**

This notice complies with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.



### Kingdom of Sweden

**£100,000,000**

**9½ per cent. Bonds Due 1997**

The following have agreed to subscribe or procure subscribers for the Bonds:

**Baring Brothers & Co., Limited**

**Bankers Trust International Limited**  
Banque Nationale de Paris  
Deutsche Bank Capital Markets Limited  
Robert Fleming & Co. Limited  
LTCB International Limited  
Morgan Guaranty Ltd  
The Nikko Securities Co., (Europe) Ltd.  
Salomon Brothers International Limited  
Security Pacific Hoare Govett Limited  
Svenska Handelsbanken Group

**Bank Brussel Lambert N.V.**  
Credit Suisse First Boston Limited  
Dresdner Bank Aktiengesellschaft  
IBJ International Limited  
Merrill Lynch Capital Markets  
Morgan Stanley International  
Nomura International Limited  
J. Henry Schroder Wagg & Co. Limited  
Shearson Lehman Brothers International  
Swiss Bank Corporation International Limited

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the Bonds to be admitted to the Official List. Interest of the Bonds is payable annually in arrears on 15th April, the first such payment being due on 15th April, 1988.

Particulars relating to the Bonds are available in the statistical services of Exel Financial Limited and copies may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange, London EC2 and up to and including 8th April, 1987 from:

**Baring Brothers & Co., Limited**  
8 Bishopsgate  
London EC2N 4AE

**Hoare Govett Ltd.**  
4 Broadgate,  
London EC2M 7LE

25th MARCH, 1987

## UK COMPANY NEWS

### Equity & Law earnings helped by overseas sales

BY TERRY POVEY

Equity & Law Life Assurance, in which the Brierley group has a 28 per cent stake, yesterday announced a one-fifth rise in earnings for shareholders and long-term profits for policyholders. The dividend recommended is a single final payment of 8p a share, which compares with a 6.7p total in 1985.

Among the areas showing the strongest growth was mortgage-related endowment policies, up more than three-fold from a low base of £2m.

In the UK, new life business figures showed a 6 per cent rise in annual premiums and a 30 per cent rise in single premiums. Analysts consider that this placed the company sixth, out of the nine major life offices, in terms of 1986's premium growth rates.

Overseas sales, in West Germany, Holland and Belgium and including the new Isle of Man offshore operation, rose strongly. Annual premiums were up by 44 per cent to £11.8m and single premiums by two-thirds to £50.7m.

Of concern has been the possible impact of the Financial Services Act. In the UK, the company relies entirely on independent agents to sell its products and has no direct sales team. The Act requires agents either to be fully independent and to offer policies strictly on a best value basis or to identify themselves as part of the tied sales team of a certain life company.

Mr Christopher Brockson, general manager, accepted that there could be difficulties for some of the smaller independent agents on which higher fixed costs could weigh heavily. E and L has recently written to all intermediaries assuring them that it is doing its best to support the independent agents and urging them to resist the "handshakes" of those offices "seeking to recruit them into tied agents' networks."

Incidentally the booming housing market has given Equity & Law's new business figures a good leg up, helping to compensate for a fall off in individual pensions from 1985's position in the market place. In addition, two new branches were opened.

Retail group saw dramatic growth since last June reflect the success of the Electric Discount concept.

Godwin Electrical, purchased in November, was being rationalised and performance to date was encouraging.

Turnover in the half year surged to £14.6m (£8.8m), with wholesaling accounting for £8.9m (£6.4m) and retailing for £5.7m (£2.4m).

Operating profit came to £1.45m (£749,000). Earnings for the period were shown at 1.1p (0.8p on old capital).

FOR THE half year ended December 31 1986 the Bennett & Fountain's 78% profit advance

Pre-tax profits of Thomas Jourdan, investment holding company, surged ahead from £1.5m to £2.0m in 1986, on an increased turnover of £15.75m, against £11.21m.

The company said yesterday that 1987 would be an exciting year. It felt the time was ripe for major expansion and was hoping to lay down a base this year to make that expansion possible.

Trading in the first two months had been slower than in the same period of 1986, partly due to bad weather at the beginning of the year when one of the subsidiaries was snowed out for over two weeks.

However, trade was now buoyant and the year as a whole looked good, although Jourdan was not anticipating the same dramatic growth experienced in recent years.

After tax of £523,000 (£385,000) 1986 earnings per 10p share increased from 6.4p to 12.65p. The dividend total is stepped up to 4.5p (3.675p) net, with a final of 3.25p.

At the operating level, profits climbed from £1.4m to £2.2m, struck after distribution costs of £1.7m (£1.33m), administration expenses £1.41m (£1.24m) and other operating income £17,000 (£27,000).

Pre-tax results included a related company's contribution of £64,000 (£37,000) but interest payable took £225,000 (£189,000).

Mr Michael Lever, chairman, said that Abbeycrest was changing its year-end to December 31 to incorporate the most recent pre-Christmas trading season on a more timely basis.

At the former year-end date August 31 1986, Abbeycrest made profits of £1.01m on turnover of £9.87m.

Mr Lever commented that growth had been achieved in all product areas. Trading links both with principal multiple jewellers, retailers and mail-order houses had been further consolidated, with the result that the company's presence in the ranges both of established and new customers had increased.

He said that the group's marketing policy was to support the apparent growth in the size of the total market with carefully targeted and price-pointed products designed to exploit this opportunity.

The current year had begun well. Tax charges took £704,000, compared with £320,000 in the year to August 31 1985 and earnings per share worked through at 18.4p (7.3p). The proposed final of 1.5p makes a total for the 16 months of 4p.

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### Davidson Pearce advances to £3.9m

Davidson Pearce Group, the advertising agency which came to the market in October 1985, raised pre-tax profits by 19 per cent from a restated £2.27m to £3.89m in 1986.

Earnings per 10p share increased from 2.22p to 3.89p and the final dividend is 1.2p for a total of 5p net—last year's single final payment was 1.5p.

Billings were up 12 per cent from £85.95m to £96.75m and turnover rose to £76.75m (£67.11m). Gross profits rose to £15.14m (£12.70m) before net expenses of £11.50m (£9.65m) and net interest receivable of £333,000 (£199,000).

After tax of £1.45m (£1.38m), minority and an extraordinary debit of £108,000 this time, the attributable balance was ahead from £1.85m to £2.33m.

Comparative results have been restated in accordance with merger accounting principles.

Mr Christopher Hawes, chairman, said that a year of 1987 the group was well placed to develop further. With an outstanding client list, and a strong balance sheet, including cash balances of £2.5m, the group was in a strong position to pursue as well as the addition of new operations.

It is with something of a weary ear that one hears that Davidson Pearce intends to become a "leading communications group"—a lot of money has been spent by others in a sometimes vain pursuit of the same goal. But last year CPM contributed the same level of profits growth as the main agency and some clients like Marks and Spencer and Fiat were referred by one group to the other. Whether such synergistic benefits would arise from the next move into public relations is more open to question and it is to be hoped that Davidson will be able to resist the funder prices charged for companies in that sector.

This year, unless the Conservatives lose the election, the Action for Jobs campaign should continue to give a healthy boost to billings and with a stronger performance from CPM, pre-tax profits should hit £4.5m putting the shares at 170p down 5p, on a prospective p/e of 12.5, not demanding in this sector.

**NEEDPORT-GUNDY** (maker of netting, twisted and woven products) Turnover for half year to January 31 1987 was £17.64m (£16.96m) and pre-tax profits £442,000 (£324,000). Earnings per 20p share 2.7p (2.39p) and interim dividend 1.2p (1.05p). Second-half is unlikely to be as good as last year, but longer-term prospects are bright.

### Ashstead buys Keyplant

Ashstead Group, the USM quoted non-operated plant and tools operator, couples the release of its first interim figures as a public quoted company with the announcement of a major acquisition.

The company is to purchase substantially the whole of the business and assets of Keyplant from Norwest Holst for £1.48m in cash and shares. The consideration is to be satisfied as to the issue of 400,000 in new ordinary shares, which are being placed by Greenwell Morgan at 181p per share, to raise £72,400, with the remainder in cash.

Keyplant achieved pre-tax profits of £306,000 on a turnover of £5.9m for the year ended March 31 1986.

Ashstead increased its interim pre-tax profits by 79 per cent from £296,000 to £531,000 in the six months ended October 31. Turnover in the period rose from £1.72m to £2.2m. Operating profits were £585,000 (£545,000) and interest charges were £74,000 (£59,000). Tax took £153,000 (£94,000) leaving net profits of £358,000 (£300,000) and earnings per share of 6.3p (3.4p).

As forecast there is no interim dividend but the directors intend to make a final payment of 2p in respect of the year to April 30 1987.

## BURFORD GROUP PLC

(Incorporated in England under the Companies Act 1948 to 1981 with number 1639333)

Placing by

**ALEXANDERS LAING & CRUICKSHANK**  
of

**2,000,000 Ordinary shares of 25p each at 80p per share**

Authorised	Share capital	Issued and to be issued fully paid
£3,450,000	in Ordinary shares of 25p each	£2,500,000

The Ordinary shares being placed rank *pari passu* in all respects with the existing issued Ordinary shares including the right to participate in full in all dividends and other distributions hereafter declared, made or paid on the Ordinary share capital of Burford Group PLC.

Burford Group PLC and its subsidiaries are a property investment and trading group. The group's current investment activities are concentrated on two major city centre commercial properties in Manchester and Birmingham and a substantial office building well located in the West End of London. Its trading principally consists of dealing in ground rents.

Particulars relating to Burford Group PLC are available in the Exel Unlisted Securities Market Service. Copies of the Prospectus may be obtained during normal business hours (Saturdays and Public Holidays excepted) up to and including 7th April 1987 from:

**Burford Group PLC,**  
Wellington Court,  
Wellington Road,  
London NW8 2TD

**Alexanders Laing & Cruickshank,**  
Percy House,  
7 Copthall Avenue,  
London EC2R 7BE

25th March 1987

### SCOTLAND INTERNATIONAL FINANCE B.V.

**US\$100,000,000**

Guaranteed Floating Rate Notes 1992  
For the six months from 25th March 1987 to 24th September 1987 inclusive the Notes will carry an interest rate of 6½% per coupon.  
The relevant interest payment date will be 25th September 1987.  
Coupon 12 will be for U.S.\$167.71.

**Agent Bank**  
Barclays Bank PLC  
Stock Exchange Services Department  
54 Lombard Street  
London EC3P 3AH



## UK COMPANY NEWS

Hambro Countrywide  
profit surge to £16m

ANNUAL PROFITS of Hambro Countrywide, Britain's largest residential estate agency with 442 offices and controlled by Hambros, advanced 88 per cent from £8.6m to £16.32m at the pre-tax level.

Those figures covered the merged Balfour Beatty/Hambros and Company group for 12 months ended December 31 1986 and 1985.

The merger was effective last June. The accounting date was changed to December 31 and the profit for the seven months to that date came to £11.57m. For the year ended May 31 1986 it was £10.9m.

During the year the group sold 57,250 properties with an aggregate sales value in excess of £2.87m. The mortgage and financial services subsidiary continued the development of its services throughout the residential sales offices; 17,088 mortgages totalling over £550m were completed—the average being £32,176.

Mr Christopher Spoor, the chairman, said acquisitions had integrated well and enabled the group to expand into attractive areas in the South of England, the Midlands, Lancashire and Cheshire.

The expansion would continue, primarily with the opening of new offices by the estate agency subsidiaries which were demonstrating substantial potential for further organic growth.

In the current year, he said, trading had started well and prospects for another successful year were extremely encouraging, particularly in the light of the Chancellor's Budget statement.

For the seven months the dividend recommendation is 5p net, costing £2.65m, compared with a total of 4.5p for the previous year at £1.75m.

Annual turnover advanced from £39.43m to £44.58m. Tax required £5.97m (£3.28m) to leave a net profit of £10.55m (£5.38m) for earnings of 20.65p (£11.75p) basic and 18.35p (£11.35p) fully diluted.

The number of agencies included three that have come with the recent acquisition of Robinson Osborne and Moules operating from Canterbury, Kent, and Nuneaton. Consideration was £1.3m payable by instalments with an initial £425,000 satisfied by the issue of 115,100 shares and £50,000 cash.

The balance will be settled with the issue of a loan stock convertible into a maximum 363,778 shares according to profit performance over the next two years.

comment

The whittling of the property market and good last year and the Budget tax cuts and the subsequent interest rate decline has improved its prospects for 1987. With 442 branches, the group can now afford to pick and choose its acquisitions and even open new branches itself, at considerably less cost than the fancy prices paid by other expanding groups.

But the real reason for the fancy p/—15.5 assuming pre-tax profits of £24m this year on shares down 15p to 415p—is the ability to offer financial services down a credit-worthy client list. The early indications are good.

With 90 per cent of house-selling clients "converting" to use some kind of mortgage-related financial services and with Rainbow yet to be extended to all branches, the short term growth prospects are very good.

Whether, given the public estimation of estate agents, clients will be as ready to buy non-property related financial products has yet to be seen.

Alida gets profits boost from Heath buy

Alida Holdings, the packaging group which obtained a full listing in November 1986, reported an increase from £2.78m to £3.81m in pre-tax profits for the year ended December 31 1986.

Mr Rex Stone, chairman, stated that pre-tax margins continued their upward trend and the improvement was further assisted by the contribution from the Heath group which was acquired in July 1986.

At operating level the profit contribution from Heath increased by 84 per cent and other companies showed a 25 per cent rise.

The expansion into polymer distribution and the merchandising of packaging products meant that 40 per cent of pre-tax profits were generated from these sources with the balance being earned from the manufacture of polythene film products.

Mr Stone said that the current year had started well and Alida expected 1987 to benefit from the continued integration of the newly acquired companies and the heavy investment in plant in the third quarter of last year.

Capital investment in 1986 was again at a high level of £3.35m. Turnover last year advanced from £35.33m to £38.48m, tax charged was £1.35m (£1.1m) and minority interests were £6,000 (£17,000) leaving a net attributable profit of £24.1m (£21.7m) after an extraordinary item of £24,000 (nil) in relation to the full listing expenses.

Comparative figures have been adjusted in accordance with the principles of merger accounting. A final dividend of 5.75p has been proposed making a total of 6.5p (adjusted) against stated earnings of 22.1p (15.5p adjusted) for the 25p shares.

comment

Alida Group, maker of office furniture and equipment, raised pre-tax profits by 49 per cent from £226,000 to £331,000 for the half year to February 1, 1987, on turnover up 17 per cent at £1.5m, against £6.95m.

Mr Archie Aronson, chairman, said he expected the usual pattern to emerge this year of higher sales and profits in the second half.

Earnings per 10p share were 2.65p (2p) and the interim dividend is 0.55p (0.4p) net—last year's total was 1.1p.

comment

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Lopex exceeds profits  
and dividend forecast

Lopex, the international communications group, exceeded the forecasts made in May, 1986 when the shares were offered for sale.

Pre-tax profits show an increase of 54 per cent, from £2.33m to £3.58m in the year to December 31 1986, which included £288,000 benefit from a pensions contribution holiday.

Earnings per 5p share are 60 per cent higher at 12.4p and a final dividend of 2.4p makes a total of 4.2p against the 4p forecasted.

Mr John Castle, the chairman, said that the group had continued to develop internationally. In 1986 some 57 per cent of group pre-tax profits arose in the UK and 43 per cent overseas.

The break-down in profit contribution was 27 per cent consumer advertising, 19 per cent corporate communications, 21 per cent market research and data services and 33 per cent marketing services.

Mr Castle said that 1987 had started well with significant new business being gained in all areas of activity. While it was too early to make a forecast the board was confident that it would be another year of substantial progress.

Turnover last year rose 13 per cent from £100.11m to £112.95m; the cost of sales totalled £81.61m (£73.21m). Revenue for the year was £31.34m (£26.9m) and administrative expenses took £28.06m (£24.47m); net interest payable was £522,000 (£420,000).

The share of profits, less losses, of related companies amounted to £22,000 (£312,000). Deducting minority interests of £311,000 (£458,000) and tax of £14.6m (£93,000) left net attributable profits of £1.59m (£918,000) before an extraordinary charge of £38,000.

comment

Arson Group, maker of office furniture and equipment, raised pre-tax profits by 49 per cent from £226,000 to £331,000 for the half year to February 1, 1987, on turnover up 17 per cent at £1.5m, against £6.95m.

Mr Archie Aronson, chairman, said he expected the usual pattern to emerge this year of higher sales and profits in the second half.

Earnings per 10p share were 2.65p (2p) and the interim dividend is 0.55p (0.4p) net—last year's total was 1.1p.

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Earnings per 10



FOREIGN EXCHANGES

Dollar up from record low

THE DOLLAR recovered from record lows to finish little changed on the day, after reports that the US Federal Reserve Board had given support. Earlier trading in Tokyo had seen the dollar fall to a record low of ¥148.40 as the market digested comments made by Mr James Baker, US Treasury Secretary, suggesting that the G6 meeting had not agreed on any particular trading range for the dollar.

This was seen as an attempt to put further pressure on the Japanese authorities, following a disagreement over trade agreements and the opening of Japanese markets to US products.

However, the situation reversed after the start of trading in New York when it was suggested that the US Fed had been supporting the dollar. This seemed odd since, with hindsight, no support would have been necessary if Mr Baker's comments had not been construed as a renewed attempt to talk the dollar down.

The dollar still finished at a record closing low against the yen at ¥148.25 up from a record trading low of ¥148.40 but down from ¥150.15 on Monday. Against the D-Mark it was slightly firmer at DM 2.3215 up from DM 2.3200, having touched a low of DM 2.3175, before finishing at DM 2.3215.

STERLING—Trading range against the dollar in 1986-87 is

1.8175 to 1.2700. February average 1.5274. Exchange rate index 72.2 against 72.5 at the opening and 72.5 on Monday night.

Sterling failed to cope with a weaker dollar and although it initially showed a rise against the US unit, this was never sufficient to offset the dollar's losses elsewhere. Consequently the pound showed a loss against major European currencies for the entire day. There was little change in sentiment but there was a feeling that the pound had come far enough fast enough for the time being and since most of its improvement was on the back of hot money, it was hardly surprising that a fundamental break out by the dollar upset the equation.

The pound closed at \$1.6115, having touched a high of \$1.6235 and compared with Monday's close of \$1.6175. Against the D-Mark it fell to DM 2.3550 from DM 2.4850 and ¥240.50 compared with ¥242.75. Elsewhere it finished at SF 2.4525 from SF 2.4650 and FF 5.7725 from FF 5.8025.

D-MARK—Trading range against the dollar in 1986-87 is 2.4718 to 1.7070. February average 1.8534.

Exchange rate index 147.1 against 146.2 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8116 from DM 1.8205 on Monday. Trading was quiet in the morning as attention focused on the dollar break out of its recent trading range against the yen. However, the dollar's weaker trend was reversed in the afternoon as the market reacted to reports that the US Federal authorities had given support to the dollar.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 148.25. February average 154.24. Exchange rate index 212.4 against 217.1 six months ago.

Intervention by the Bank of Japan failed to prevent the dollar from reaching a record low of ¥148.40 in Tokyo yesterday. Estimated support of ¥148.40 had a limited overall effect and the US unit finished at ¥148.25 down from ¥150.15 in New York and ¥150.75 in Tokyo on Monday. The break through ¥150 gave rise to speculation that a rush of selling could develop, sending the dollar down to ¥145.0.

FINANCIAL FUTURES

US bonds recover

US TREASURY BOND futures closed near the day's high on the London International Financial Futures Exchange yesterday, following suggestions the US Federal Reserve had intervened to support the dollar.

Long term gilt edged futures weakened, but dealers said it was too early to say the bull market was at an end. Uncertainty on the foreign exchanges had merely lessened the attraction of sterling instruments in the short term.

June long term gilt futures opened weaker at 126-14, on fears that the fall in the value of the

dollar would lead to a collapse of sterling on the foreign exchanges. This proved to be the day's peak however, and the contract fell to a low of 125-15, before closing at 125-19, compared with 126-20 on Monday.

It was also feared the fall of the pound's exchange rate index indicated that sterling was losing its place as the most attractive currency, as funds drained out of the Japanese yen and the D-Mark.

Trading in long-term gilt futures was active at over 40,000 contracts.

as nervousness about tomorrow's UK trade figures, and expectations of an increase in the current account deficit in February, raised doubts about another early cut in UK base rates.

June three-month sterling deposit futures opened lower at 91.06, but this also proved to be the highest level of the day. Fears about the future of sterling and interest rates, after the UK trade figures, pushed the contract down to a low of 90.91, before it finished at 90.93, against 91.06 at the previous settlement.

EMIS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate
Belgian Franc	40.3392	1.3392
Dutch Guilder	3.76033	1.36033
French Franc	6.55957	1.35957
German Mark	1.93627	1.33627
Italian Lira	2036.268	1.33626
Spanish Peseta	166.639	1.33639
Swiss Franc	2.00481	1.33481
UK Pound	1.00000	1.00000

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Month	Rate
1 month	1.6115
3 months	1.6115
6 months	1.6115
12 months	1.6115

CHICAGO

Contract	Price
US Treasury Bonds (CBT)	100-05
US Treasury Bills (TBM)	94-37
Swiss Franc (RMB)	90-10

NEW ZEALAND

Contract	Price
100,000,000	94-37
50,000,000	94-37
25,000,000	94-37

STANDARD & POORS 500 INDEX

Index	Value
Standard & Poors 500	261.15

STERLING INDEX

Index	Value
Sterling Index	72.2

CURRENCY RATES

Currency	Rate
US Dollar	1.6115
German Mark	2.3215
Japanese Yen	148.25
Swiss Franc	2.0048

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Month	Rate
1 month	1.6115
3 months	1.6115
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EURO CURRENCY INTEREST RATES

Term	Rate
3 months	10-10 1/4
6 months	10-10 1/4
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Currency	Rate
US Dollar	1.6115
German Mark	2.3215
Japanese Yen	148.25
Swiss Franc	2.0048

[illegible]

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[illegible]

## WORLD MARKETS

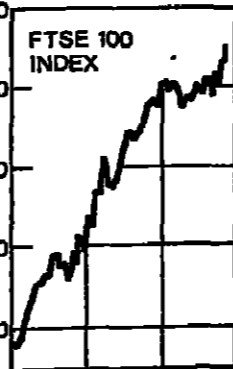
## FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

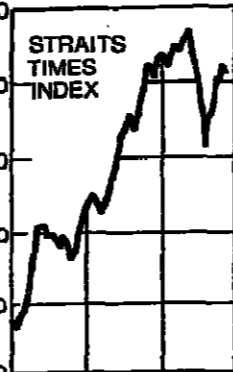
NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 24 1987					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1986/87 High	1986/87 Low	Year ago
Australia (94)	119.18	+1.3	109.64	114.11	2.99	119.18	70.18	88.39
Austria (16)	94.24	+0.3	86.69	88.90	1.74	101.62	70.60	72.99
Belgium (47)	118.92	+0.7	109.59	111.00	4.12	118.92	53.75	76.94
Canada (132)	134.35	+0.0	123.60	127.15	2.19	134.35	86.38	96.98
Denmark (12)	113.09	+2.2	104.78	106.07	2.35	124.10	87.87	100.56
France (121)	120.12	+1.9	110.50	114.28	2.22	120.12	57.72	81.11
West Germany (99)	87.27	+0.9	80.29	82.65	2.19	100.35	74.48	83.34
Hong Kong (45)	131.71	+0.9	102.77	111.84	2.82	131.71	62.87	66.20
Ireland (14)	130.14	+0.3	119.72	125.01	3.41	130.14	62.87	85.90
Italy (76)	102.50	-0.8	94.29	99.28	1.52	108.30	46.07	76.03
Japan (458)	127.08	+0.8	116.90	119.89	0.53	127.08	49.46	65.93
Malaysia (35)	131.63	-0.4	121.09	127.57	2.99	135.38	66.67	73.65
Mexico (14)	145.01	+5.7	139.52	145.49	1.16	145.01	43.00	57.86
Netherlands (27)	113.46	+0.0	104.37	106.60	4.16	113.46	74.14	83.51
Norway (25)	127.07	+2.8	116.90	118.32	2.93	100.59	47.37	59.63
Sweden (33)	113.01	+1.0	103.96	106.40	1.94	127.07	103.85	103.85
Switzerland (52)	151.66	+4.5	139.52	145.49	3.16	151.66	55.04	66.20
United Kingdom (342)	111.13	+0.1	102.77	107.68	3.59	121.41	65.06	108.26
USA (581)	123.88	+0.5	113.39	118.55	2.24	131.01	63.35	82.75
Europe (945)	114.57	+0.8	105.39	107.24	1.88	104.06	69.01	77.76
Pacific Basin (686)	126.14	+0.8	116.04	119.28	3.44	123.08	75.29	94.05
Asia-Pacific (631)	121.53	+0.8	111.80	114.46	2.89	124.06	65.46	98.76
North America (713)	124.60	+0.2	114.63	124.24	0.70	126.14	51.10	66.48
World Ex. US (1838)	122.93	+0.8	112.50	118.55	1.53	121.53	58.45	74.90
World Ex. UK (2077)	121.96	+0.5	112.20	118.55	2.85	124.60	85.61	96.67
World Ex. So. Am. (2358)	122.83	+0.5	113.00	118.55	1.58	122.93	60.02	69.65
World Ex. Japan (1961)	121.08	+0.5	111.39	117.74	1.94	122.83	69.95	84.81
The World Index (241)	123.02	+0.6	113.17	118.47	2.88	122.93	79.87	94.05

Base values Dec 31, 1986 = 100  
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## LONDON



## SINGAPORE



## EUROPEAN OPTIONS EXCHANGE

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
GOLD C	5400	5420	5440	5460	5480	5500	5409.56
GOLD P	5420	5440	5460	5480	5500	5520	5409.56
SILVER C	5500	5520	5540	5560	5580	5600	5573
SILVER P	5520	5540	5560	5580	5600	5620	5573
PLAT C	5600	5620	5640	5660	5680	5700	5673
PLAT P	5620	5640	5660	5680	5700	5720	5673

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	11.95	12.00	12.05	12.10	12.15	12.20	12.05.42
SPR P	12.00	12.05	12.10	12.15	12.20	12.25	12.05.42
SPR C	12.10	12.15	12.20	12.25	12.30	12.35	12.05.42
SPR P	12.15	12.20	12.25	12.30	12.35	12.40	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	12.20	12.25	12.30	12.35	12.40	12.45	12.05.42
SPR P	12.25	12.30	12.35	12.40	12.45	12.50	12.05.42
SPR C	12.30	12.35	12.40	12.45	12.50	12.55	12.05.42
SPR P	12.35	12.40	12.45	12.50	12.55	12.60	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	12.40	12.45	12.50	12.55	12.60	12.65	12.05.42
SPR P	12.45	12.50	12.55	12.60	12.65	12.70	12.05.42
SPR C	12.50	12.55	12.60	12.65	12.70	12.75	12.05.42
SPR P	12.55	12.60	12.65	12.70	12.75	12.80	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	12.60	12.65	12.70	12.75	12.80	12.85	12.05.42
SPR P	12.65	12.70	12.75	12.80	12.85	12.90	12.05.42
SPR C	12.70	12.75	12.80	12.85	12.90	12.95	12.05.42
SPR P	12.75	12.80	12.85	12.90	12.95	13.00	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	12.80	12.85	12.90	12.95	13.00	13.05	12.05.42
SPR P	12.85	12.90	12.95	13.00	13.05	13.10	12.05.42
SPR C	12.90	12.95	13.00	13.05	13.10	13.15	12.05.42
SPR P	12.95	13.00	13.05	13.10	13.15	13.20	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	13.00	13.05	13.10	13.15	13.20	13.25	12.05.42
SPR P	13.05	13.10	13.15	13.20	13.25	13.30	12.05.42
SPR C	13.10	13.15	13.20	13.25	13.30	13.35	12.05.42
SPR P	13.15	13.20	13.25	13.30	13.35	13.40	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	13.20	13.25	13.30	13.35	13.40	13.45	12.05.42
SPR P	13.25	13.30	13.35	13.40	13.45	13.50	12.05.42
SPR C	13.30	13.35	13.40	13.45	13.50	13.55	12.05.42
SPR P	13.35	13.40	13.45	13.50	13.55	13.60	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	13.40	13.45	13.50	13.55	13.60	13.65	12.05.42
SPR P	13.45	13.50	13.55	13.60	13.65	13.70	12.05.42
SPR C	13.50	13.55	13.60	13.65	13.70	13.75	12.05.42
SPR P	13.55	13.60	13.65	13.70	13.75	13.80	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	13.60	13.65	13.70	13.75	13.80	13.85	12.05.42
SPR P	13.65	13.70	13.75	13.80	13.85	13.90	12.05.42
SPR C	13.70	13.75	13.80	13.85	13.90	13.95	12.05.42
SPR P	13.75	13.80	13.85	13.90	13.95	14.00	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	13.80	13.85	13.90	13.95	14.00	14.05	12.05.42
SPR P	13.85	13.90	13.95	14.00	14.05	14.10	12.05.42
SPR C	13.90	13.95	14.00	14.05	14.10	14.15	12.05.42
SPR P	13.95	14.00	14.05	14.10	14.15	14.20	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	14.00	14.05	14.10	14.15	14.20	14.25	12.05.42
SPR P	14.05	14.10	14.15	14.20	14.25	14.30	12.05.42
SPR C	14.10	14.15	14.20	14.25	14.30	14.35	12.05.42
SPR P	14.15	14.20	14.25	14.30	14.35	14.40	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	14.20	14.25	14.30	14.35	14.40	14.45	12.05.42
SPR P	14.25	14.30	14.35	14.40	14.45	14.50	12.05.42
SPR C	14.30	14.35	14.40	14.45	14.50	14.55	12.05.42
SPR P	14.35	14.40	14.45	14.50	14.55	14.60	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	14.40	14.45	14.50	14.55	14.60	14.65	12.05.42
SPR P	14.45	14.50	14.55	14.60	14.65	14.70	12.05.42
SPR C	14.50	14.55	14.60	14.65	14.70	14.75	12.05.42
SPR P	14.55	14.60	14.65	14.70	14.75	14.80	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	14.60	14.65	14.70	14.75	14.80	14.85	12.05.42
SPR P	14.65	14.70	14.75	14.80	14.85	14.90	12.05.42
SPR C	14.70	14.75	14.80	14.85	14.90	14.95	12.05.42
SPR P	14.75	14.80	14.85	14.90	14.95	15.00	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	14.80	14.85	14.90	14.95	15.00	15.05	12.05.42
SPR P	14.85	14.90	14.95	15.00	15.05	15.10	12.05.42
SPR C	14.90	14.95	15.00	15.05	15.10	15.15	12.05.42
SPR P	14.95	15.00	15.05	15.10	15.15	15.20	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	15.00	15.05	15.10	15.15	15.20	15.25	12.05.42
SPR P	15.05	15.10	15.15	15.20	15.25	15.30	12.05.42
SPR C	15.10	15.15	15.20	15.25	15.30	15.35	12.05.42
SPR P	15.15	15.20	15.25	15.30	15.35	15.40	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	15.20	15.25	15.30	15.35	15.40	15.45	12.05.42
SPR P	15.25	15.30	15.35	15.40	15.45	15.50	12.05.42
SPR C	15.30	15.35	15.40	15.45	15.50	15.55	12.05.42
SPR P	15.35	15.40	15.45	15.50	15.55	15.60	12.05.42

Series	Mar 87	Apr 87	May 87	Jun 87	Jul 87	Aug 87	Stock
SPR C	15.40	15.45	15.50	15.55	15.60	15.65	12.05.42
SPR P	15.45	15.50	15.55	15.60	15.65	15.70	12.05.42
SPR C	15.50	15.55	15.60	15.65	15.70	15.75	12.05.42
SPR P	15.55	15.60	15.65	15.70	15.75	15.80	12.05.42

## LONDON SHARE SERVICE

[illegible]

LEISU

## INDUSTRIALS—Continued

[illegible]

250	173	Office & Equip	253	5	259	3
56	26	4 Orientech 1p	53		1	
28	18	4 Orientech 1p	23		1	

[illegible]

305	186 1/2	Scapa Group	295	+10	116.05	28.	2
E27 1/2	E18 1/2	Schlumberger	325 1/2	1 1/2	153.20	-	3

[illegible]

157	103	On 5.00% Lending Pk.	123	---	3.6%	---	6
250	190	Toothill (R.W.)	245	---	18.25	3A	4
155	90	Town	163	+8	3.75	23	3

[illegible]

38	16	Worthington (A.J.) 10p	31	11.91	2.2	1.1
98	62	Worthington Green	31	—	—	—

NEW	Stock	Price	Stk	Chg	Vol	P/E
126	Wabco Life Ss	26 1/2	—	—	—	—
127	Walter & Alexander	1 1/2	—	—	—	—
128	Wal-Mart Stores	51 1/2	—	—	—	—
129	Walsh AG DMCO	65 1/4	—	—	—	—
130	Washington Fed	2 1/2	—	—	—	—
131	Washington Fed	2 1/2	—	—	—	—
132	Washington Fed	2 1/2	—	—	—	—
133	Washington Fed	2 1/2	—	—	—	—
134	Washington Fed	2 1/2	—	—	—	—
135	Washington Fed	2 1/2	—	—	—	—
136	Washington Fed	2 1/2	—	—	—	—
137	Washington Fed	2 1/2	—	—	—	—
138	Washington Fed	2 1/2	—	—	—	—
139	Washington Fed	2 1/2	—	—	—	—
140	Washington Fed	2 1/2	—	—	—	—
141	Washington Fed	2 1/2	—	—	—	—
142	Washington Fed	2 1/2	—	—	—	—
143	Washington Fed	2 1/2	—	—	—	—
144	Washington Fed	2 1/2	—	—	—	—
145	Washington Fed	2 1/2	—	—	—	—
146	Washington Fed	2 1/2	—	—	—	—
147	Washington Fed	2 1/2	—	—	—	—
148	Washington Fed	2 1/2	—	—	—	—
149	Washington Fed	2 1/2	—	—	—	—
150	Washington Fed	2 1/2	—	—	—	—
151	Washington Fed	2 1/2	—	—	—	—
152	Washington Fed	2 1/2	—	—	—	—
153	Washington Fed	2 1/2	—	—	—	—
154	Washington Fed	2 1/2	—	—	—	—
155	Washington Fed	2 1/2	—	—	—	—
156	Washington Fed	2 1/2	—	—	—	—
157	Washington Fed	2 1/2	—	—	—	—
158	Washington Fed	2 1/2	—	—	—	—
159	Washington Fed	2 1/2	—	—	—	—
160	Washington Fed	2 1/2	—	—	—	—
161	Washington Fed	2 1/2	—	—	—	—
162	Washington Fed	2 1/2	—	—	—	—
163	Washington Fed	2 1/2	—	—	—	—
164	Washington Fed	2 1/2	—	—	—	—
165	Washington Fed	2 1/2	—	—	—	—
166	Washington Fed	2 1/2	—	—	—	—
167	Washington Fed	2 1/2	—	—	—	—
168	Washington Fed	2 1/2	—	—	—	—
169	Washington Fed	2 1/2	—	—	—	—
170	Washington Fed	2 1/2	—	—	—	—
171	Washington Fed	2 1/2	—	—	—	—
172	Washington Fed	2 1/2	—	—	—	—
173	Washington Fed	2 1/2	—	—	—	—
174	Washington Fed	2 1/2	—	—	—	—
175	Washington Fed	2 1/2	—	—	—	—
176	Washington Fed	2 1/2	—	—	—	—
177	Washington Fed	2 1/2	—	—	—	—
178	Washington Fed	2 1/2	—	—	—	—
179	Washington Fed	2 1/2	—	—	—	—
180	Washington Fed	2 1/2	—	—	—	—
181	Washington Fed	2 1/2	—	—	—	—
182	Washington Fed	2 1/2	—	—	—	—
183	Washington Fed	2 1/2	—	—	—	—
184	Washington Fed	2 1/2	—	—	—	—
185	Washington Fed	2 1/2	—	—	—	—
186	Washington Fed	2 1/2	—	—	—	—
187	Washington Fed	2 1/2	—	—	—	—
188	Washington Fed	2 1/2	—	—	—	—
189	Washington Fed	2 1/2	—	—	—	—
190	Washington Fed	2 1/2	—	—	—	—
191	Washington Fed	2 1/2	—	—	—	—
192	Washington Fed	2 1/2	—	—	—	—
193	Washington Fed	2 1/2	—	—	—	—
194	Washington Fed	2 1/2	—	—	—	—
195	Washington Fed	2 1/2	—	—	—	—
196	Washington Fed	2 1/2	—	—	—	—
197	Washington Fed	2 1/2	—	—	—	—
198	Washington Fed	2 1/2	—	—	—	—

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**MINES—Continued**[illegible][illegible]

St. Louis Cardinals	21	+5	01.5	2.0	3.0
Southern Pacific	10	-	-	-	-
Southern Railway	84	-	-	-	-
Southern Railway 25c	16	+9	-	-	-
Southern Ry Exp	38	-	-	-	-
Swain River 25c	33	-	-	-	-
Tennessee RR	33	-	-	-	-
Utah Goldfields 25c	77	-	05c	3.1	2.8
Western Coast 25c	32	-	-	-	-
Western Coast 25c	32	-	04c	1.2	0.8
Western Creek 25c	285	+37	021c	16.4	1.2
Winchester RR	64	-	-	-	-
Wyck Resources	13	-1	-	-	-

Times					
Acety Nitro 5001	350	+5	\$080c	0.7	\$
Energy Nitro 5000	50	-	05c	-	-
Copper Bism 500.50	70	+5	2.5	0.1	4.7
Lithium 125g	50	-	\$025c	5	-
Phosphorus 500.10c	175	-	-	-	-
U-Pakana	175	-	-	-	-

Tanning 15¢	130				
French SMI	185	-5	9x45-0.8	+	+

### Miscellaneous

Amp-Denison	92	+7			
Amstar Fiber Corp.	61	-1			
Cum. March, 10	21				
FEMEX Int'l H2O	41	-2			
Graham Packaging	101	-1			
Hwytech Res.	192	-1			
Indomestine Mining S1	318	+1	020-		0.7
PacFinsley Refr Ldr.	654	+25			
Whelan Construction	17	-1			
New Submarine C&S	80	+4			
Norwegian CSI	395	-2			
Orinco	22	-1	22.8	2.4	4.3
Sch. Psychol 65-2000	\$150+	+7	07x1015.5	16.4	

## THIRD MARKET

Alcoa Group Inc.	285	+15	3.2	1.8	—
Alcoa Inc. Per 100	—	—	—	—	—
Aluminum Co. of America	123	+1	3.5	2.5	4.4
Catalyst Group, Inc.	47	—	—	—	—
Curtain Bench 100	65	—	—	—	—
Edgewater Investments	33	—	—	—	—
Exxon Oil Tr. 50	33	-2	—	—	—
De. Warrants	19	-2	—	—	—
Publications Holdings Sp.	56	—	—	—	—
Summa Industries	56	—	—	—	—
Unit Group	135	—	14.6	25	5.6
Unit Group	135	—	—	—	—

Notes

Where indicated, price and net dividends are in pence and in are 25p. Estimated price/earnings ratios and covers are based on reported earnings and dividends, where possible, are estimated on basis of 1984 earnings. Dividends are in pence. Dividends are in pence.

"and dividends." Covers all "discretionary" distributions as gross dividend costs to profits after taxation, excluding nonforfeited tax credits estimated against effective ACT. Dividend price is reduced to ACT at 29 percent rate value of declared distribution and rights.

Losses marked blue have been adjusted to allow for rights issues since reduced or resumed.

Since reduced, passed or deferred.

For no action on application or report submitted.

Clearly U.S. firms; directors permitted under Rule 535(f)(4).

U.S. firms; directors and company not subjected to same regulation as lesser securities.

Under Rule 535(f).

Time of redemption.

Dividend after pending stock and/or rights issue; cover relates to dividend or forecast.

Title or reductions in progress.

Variable.

Red: increased final and/or reduced earnings indicated.

may not allow for shares which may also rank for dividend at a later date. The PFC rate usually provided, however, is not a PFC rate.

**France.** The PFC rate is 15%. The dividend is assumed to be paid in cash and is not subject to any withholding tax. The dividend is assumed to be paid in cash and is not subject to any withholding tax. The dividend is assumed to be paid in cash and is not subject to any withholding tax.

[illegible]

TRADITIONAL OPTIONS		
3-month call rates		
		\$
36	NEI	8
36	Nat West Bk	55
42	P & O Ind	55
42	Pinnacle	20
42	Polly Peck	20
42	Racal Elect	20
36	RHM	30
19	Rank Org Ord	55
42	Reed Int'l	42
42	STC	30
25	Seas	12
57	TI	12
58	TSB	8
58	Tesco	42

_____	Turner Newall	24
_____	Unilever	150
_____	Vickers	15
_____	Wellcome	50
_____	Property	
_____	Brit Land	17
_____	Land Securities	30
_____	INEP	32
_____	Peashey	30
_____	100	
_____	Oils	
_____	BK Petroleum	3½
_____	Burmah Oil	48
_____	Charterhall	4
_____	Premier	4
_____	Shell	75
_____	Tractebel	17
_____	Ultramar	17
_____	55	
_____	Nileas	
_____	Gold	
_____	Gold	65

Location of Options traded is given on the  
London Stock Exchange Report Page.



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AUSTRIA				GERMANY				NORWAY				AUSTRALIA (continued)				JAPAN (continued)				CANADA																		
Mar. 24	Price	+ or -		Mar. 24	Price	+ or -		Mar. 24	Price	+ or -		Mar. 24	Price	+ or -		Mar. 24	Price	+ or -		Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	
Credit Inst. pp.	9,010	+30		AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				137,401	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
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Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630				35,100	Canfor	52.31	31.1	31.1	-3	4,445	Graydon	51.95	28.1	28.1	-4	10,150	Wood W	51.04	16	16	-3
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Industriell	9,020			AER	309			Bergens Bank	170.5			Gen. Post. Trust	9.70			Mitsui	630																					

**OVER-THE-COUNTER** *Nasdaq national market, closing prices*[illegible]


MONTREAL Portfolio					TORONTO Portfolio				
1,916.2	1,915.8	1,906.9	1,902.2	1,919.9 (23/3/87)	1,908.8 (22/3/87)	1,914.7	1,914.3	1,905.9	1,901.0
* Indicates pre-close figure									
<b>NYSE-Consolidated 1500 Actives</b>									
					** Saturday March 21: Japan Nikkei (c), TSE (c).				
					Sense value of all indices rose 100 except Bourse—1,000, JSE Gold—				
					255.7, JSE Industrials—264.5, and Australia, All Ordinary and Metals—500				
					NYSE All Common—30, Standard and Poore—10; and Toronto Composite and				
					Metals—1,000, Toronto 30 Index and the Montreal 30 Index—100.				
					† Excluding bonds, † 400 Industrials plus 40 Utilities, 40 Financials and 20				
					Transports. * Closed, * Unavailable.				
<b>TOKYO—Most Active Stocks</b>									
<b>Tuesday, March 24, 1987</b>									
					<b>LONDON—Most Active Stocks</b>				
					<b>Monday, March 24, 1987</b>				

Yokohama	93.97	1,320	+8	Kobe Steel	32.83	333	+5	Yokohama	93.97	1,320	+8	Kobe Steel	32.83	333	+5
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<b>LONDON</b> <span style="float:right">Chief price changes (in pence unless otherwise indicated)</span>																			
<b>RUBBER</b>				Crowther (J.)				212	+ 14	MEPC				390	+ 21	Trinity Intl.		788	+ 63
Argyle Tr.	181	+ 24		Eli & Goldstein	102	+ 9				Nash Inds.	248	+ 49				Whitbread	347	+ 14	
Asset Tr.	96	+ 10		Holmes Intl.	596	+ 30½				New Engl. Frogs	182	+ 23							
Aulk & Wib.	173	+ 12		Holmes Protec.	181	+ 8				Norcoras	425	+ 28				<b>FAILS:</b>			
BP	900	+ 37		Illingworth Mor.	163	+ 8				Pilkington Bros.	790	+ 22				Ex. Sep 2002		- 1%	
Cadlys	335	+ 20		Intl. Lure	182	+ 20				Pressac	233	+ 13				(230p)	£2514	- 1%	
Court's Wyella	617	+ 23		Land Serv.	418	+ 23				Gold (E. & J.)	205	+ 20				Ex. Dec '13-17	£2514	- 1%	
										Intl. Nat. Glass	540	+ 24				Brickwork	508	- 3½%	
										STC	259	+ 14				Brit. Aerospace	628	- 28	
										Spring Ram	372	+ 27½				Willis Faber	413	- 12	

## N. AMERICAN QUARTERLY RESULTS

<b>DANBORN PINE SCOTT</b> Bamboo, food services			<b>COOPERVISION</b> Eye-care products			<b>JOE WALTER</b> Building materials			<b>PILLSBURY</b> Fast-food chains		
Fourth quarter	1988-87	1988-86	First quarter	1987	1986	Second quarter	1988-87	1988-86	Third quarter	1988-87	1988-86
	\$	\$		\$	\$		\$	\$		\$	\$
Revenue	688.76	388.68	Revenue	94.66	86.40	Revenue	643.86	577.76	Revenue	1,520.7	1,688.5
Net profits	35.25	116.75	Net profits	25.00	25.00	Net profits	50.00	54.50	Net profits	48.50	50.00
Net per share	1.51	1.77	Net per share	1.05	0.25	Net per share	0.26	0.22	Net per share	0.25	0.15
Year						Six months			Six months		
Revenue	1,616	1,170	* Includes \$176.20 gain on sale of			Revenue	1,116	1,082	Revenue	4,626	4,236
Net profits	16.70	18.40	optical business			Net profits	85.00	57.75	Net profits	109.20	106.20
Net per share	1.83	1.88				Net per share	2.83	1.78	Net per share	1.73	1.71
<b>COMAGRA</b> Food, agricultural products			<b>FEDERAL EXPRESS</b> Overnight delivery service			<b>OPPENHEIMER &amp; CO.</b> Securities houses			<b>SULPHURO</b> Energy		
Third quarter	1988-87	1988-86	Third quarter	1988-87	1988-86	Third quarter	1988-87	1988-86	Year	1988-87	1988-86
	\$	\$		\$	\$		\$	\$		\$	\$
Revenue	1.50	1.40	Revenue	798.26	683.20	Revenue	152.70	132.70	Revenue	215.00	215.00
Net profits	25.21	21.70	Net profits	35.00	42.00	Net profits	2.00	—	Net profits	1,076.40	145.00
Net per share	0.25	0.26	Net per share	0.90	0.90	Net per share	—	—	Net per share	118.22	13.90
Six months			Six months			Six months					
Revenue	5.70	4.80	Revenue	2,310	1,800	Revenue	352.40	351.20	↑ Loss = Includes CFI225 embroiled on		
Net profits	90.20	77.00	Net profits	120.20	136.00	Net profits	19.00	10.70			



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Net per share.....	1.25	1.14	Net per share.....	2.35	2.79	Net profit.....	15.5m	16.7m	† Loss * Includes Capital expenditure on
						Net per share.....	=	=	Corporate

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 46

## AMEX COMPOSITE CLOSING PRICES

OVER-TH-COUNTER

Nasdaq national market, closing prices

**Continued on Page 47**



# SECTION III FINANCIAL TIMES SURVEY



Thirty years after the signing of the Treaty of Rome, the EEC may no longer seem an exciting adventure but its

economic resilience, dynamism and ability to adapt are proven, says Ian Davidson. Politically, however, the dividends remain small, a limitation which may be overcome only when greater emphasis is given to the security dimension.

## In place of passion

BY MOST pragmatic yardsticks, the European Community has proved phenomenally resilient and dynamic. It has been so magnetic that it has seen its membership double from six to 12 member states. It has lived through and survived serious internal political crises, and its independent institutions have been able to adapt policies to changing circumstances.

No one seriously questions that the European Community is the central and dominant policy organ in Western Europe; even the Soviet Union seems at last prepared to acknowledge the Community's political significance.

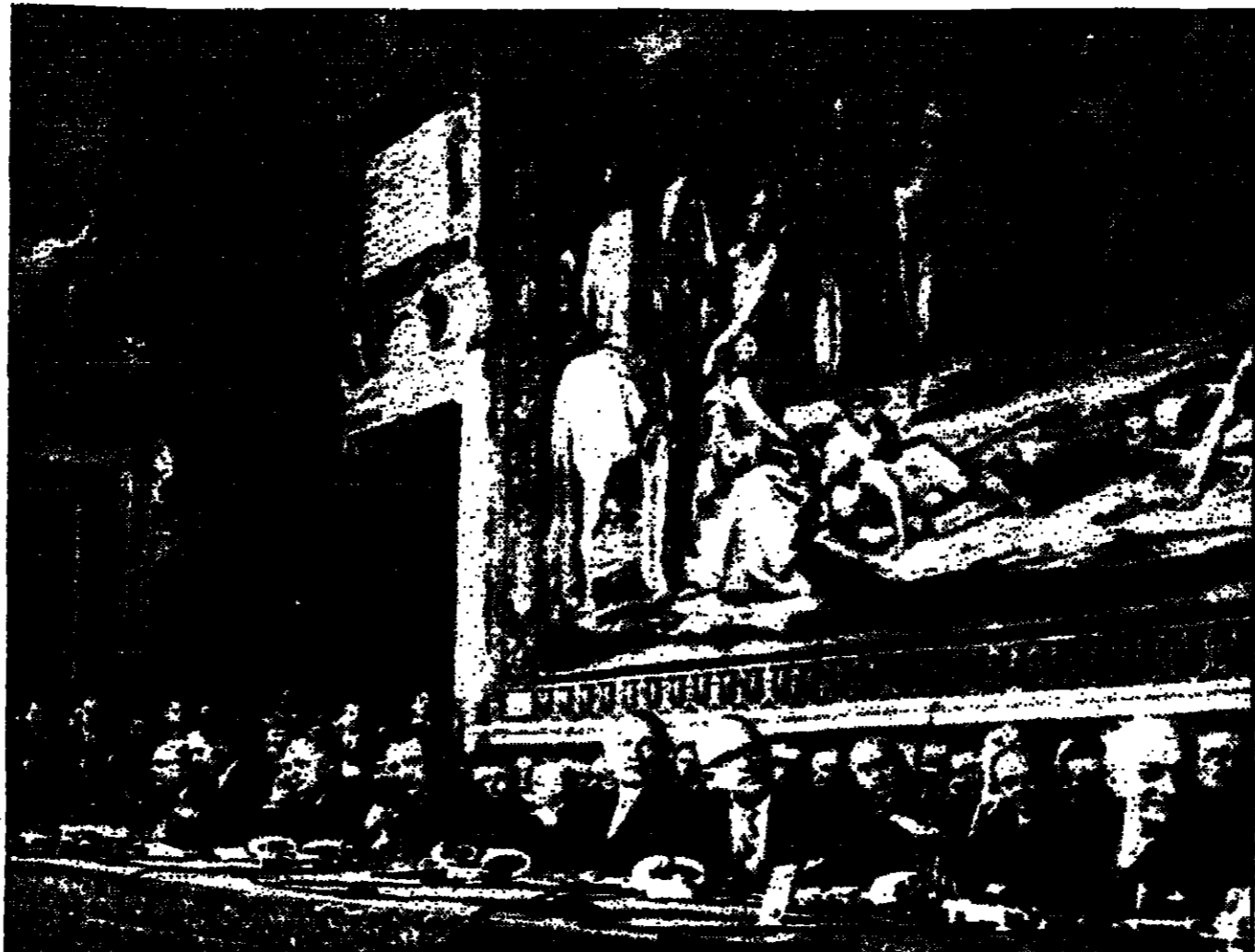
And yet, there is a very different side to the picture. In the first place, one of the biggest contrasts with 30 years ago is that most of the early passion and many of the early certainties have seeped away.

This change is not all for the bad, since the early passions tended to be polarised in a fierce dogmatic argument between the Gaullists and the rest over whether the Community should or could become more supranational; the pas-

sage of time and the passing away of undiluted Gaullism in France, have shown that this argument was too black-and-white to correspond to reality. The other side of the coin, however, is that passionate commitment to the European Community is probably rarer than it was 30 years ago. There remains a hardy band of true Community devotees, and it is probably true that the general idea of Europe commands a greater degree of popular assent in at least some member states (the UK, for example) than it did before. But it is difficult to pretend that the Community as such provokes a widespread sense of excitement or hope, in any member state.

This is partly a question of familiarity, but it is mainly a question of disappointment. After all these years, public opinion is not going to get into a lather over a European summit meeting, when the heads of state or government meet routinely three times a year. But the sense of disappointment is more serious.

In the early days of the Community, the first steps down the road—the first tariff reductions,



Life is short and art is long: in Rome, in March 1957, the new Europeans signed the historic treaty that was a rational response to the devastation of war

# The EEC 30 YEARS ON

the harmonisation of cereals prices—generated resonances of sympathetic excitement, because these technical economic moves were seen as symptoms of a daring political adventure.

Today, the political dividend has proved extremely pedestrian: as far as the governments are concerned the Community may be indispensable, but as far as public opinion is concerned, it is boring or depressing, or both. After 30 years of crises, marathon and interminable arguments, the Community no longer seems an exciting adventure.

Part of the reason for this is that a central feature of the Community's inherited patrimony is now irreparably discredited. For many years the common agricultural policy was routinely touted in the Six original member states, in the face of all the criticism of the free-trading British, as a symbol of all that was finest and most promising about the Community. It was an exemplar of common pricing and central funding; it would contribute to currency stability

between the member states; it would sustain Europe's agricultural vocation.

To be sure, putting the farm policy right will cost heroic efforts and will meet extraordinary resistance in the defence of farming interests. But there will be few to claim theoretical virtues for a policy which spends two-thirds of the Community's budget subsidising farmers to produce large surpluses which cannot be sold, in an age when all governments are trying to reduce other forms of state spending, despite

record structural unemployment in the industrial classes. Politically, presentationally and financially, reform is no longer avoidable, and everybody knows it.

What is not so clear is whether there is a political consensus on the purpose of the Community and on the direction in which it ought to be moving.

Traditionally, the Commission has appeared to believe that one of the natural ways to promote the cause of European integration was to develop spending policies at the centre, and

Market perceptions: from France, Italy, West Germany and the UK. How the four largest members are responding to the need to co-ordinate national policies 2, 3

The Single Act: its success or failure is about to become apparent

Foreign policy: Co-operation on political and security matters is likely to increase

Profile: Jacques Delors 4

Smaller countries' views: Assessments of the attitudes of Greece, Spain and Portugal, and of the Benelux countries 5

Defence: A succession of events have shown Europeans that they have certain interests distinct from those of the US

Profile: Felipe Gonzalez, Giulio Andreotti, Lord Carrington, Alfred Cohen 6

Macro-economics: The optimism at the Treaty's signing has been replaced by a sense of helplessness

Monetary policy: It is hard to see the EMS evolving into a tighter union in the near future

Profile: Karl-Otto Poehl 7

The CAP: Once a cornerstone, it is

Graphics: Christopher Walker and Michael Quinney

bursting apart under pressure from its built-in contradictions

Profile: Silvio Marchetti, Sir Henry Plumb 8

The Community budget: It has become the main arena for the real policy debate about the direction of the Community 9

Other industries: FT writers consider the implications of being European for: steel, motors, shipbuilding, energy, textiles and chemicals 9, 10

Small businesses: Their star is rising, because they will provide tomorrow's jobs

The internal market: National interests are delaying the campaign to dismantle barriers to free trade

External trade: As the new Gatt round gets under way, the Community's common front will be tested

Profile: Etienne Davignon 11

High technology: There are problems in the electronics and information sector. Collaboration is the remedy

Investment: It has become more mobile. In response to US corporate investors 12

thus to seek a steady increase in the Community budget.

In the past two or three years, however, the Commission has swum with the current tide of conventional wisdom, that governments' top priority should be the fight against inflation and the control of public expenditure, and in the place of Keynesian demand management to substitute deregulation, privatisation and the free play of market forces.

At the Commission, Lord Cockfield produced his White Paper on the removal of all non-tariff barriers by 1992, so as to produce a Community market without frontiers, and so successfully reinforced the tide of conventional wisdom that the member states adopted the objective and the target date in the new treaty document (the Single European Act) which they negotiated in 1986.

The logic of the case for concentrating on the opening up of the internal market is deeply attractive. Despite the removal of internal tariffs, substantial obstacles to trade between the member states remain, which impose very large real costs on the Community's economy. The removal of these barriers and these costs would make the Community more competitive with its major rivals in Japan and the US, and would do more for growth than any macro-economic measures.

Moreover, and this was not the least of the attractions, such an objective would have two major political benefits. The 1992 target for a completely free internal market would give the Community and its institutions a direction and a work programme for seven years ahead;

and the difficulty of reaching the target could be used, and was successfully used, to persuade the member states to enlarge the scope of majority voting in the Council of Ministers, and to enhance the influence of the European Parliament, thus serving the traditional objective of the sub-federalists.

The beautiful and austere simplicity of the internal market programme has not lasted long. The new programme of proposals put forward this year by the Commission seems to betray a reversion to all the old nostrums of activism and extravagance, expressed in terms which can only be described as arrogant. It demands a massive increase in the Community's budgetary resources, partly to wipe out the accumulated hidden deficits of the farm policy, partly to finance a doubling of the structural (ie regional and social) funds, and partly to have a margin of safety.

Now it is true that the Community is facing a massive budgetary crunch. Not merely is it already exhausting the funds legally available, but large additional sums will be required to wipe clean the financial state, and still other large sums will be required to ease the lot of marginal farmers, if the transition to a less wasteful farm policy is to become politically acceptable.

Moreover, there may be a case for giving special help to some of the poorer member states, perhaps through the regional fund, to help them meet the competitive stress of a fully

Continued on page 12

# Europe, our future.



25th March 1987 marks the 30th anniversary of the signature of the Treaty of Rome.

In the past three decades, the European Community has grown from 169 million citizens to over 321 million citizens; from six Member States to twelve Member States. Today it is the world's largest exporter with over 20% of total world exports.

Its progress has been the result of political will and vision, supported by the efforts of Europeans to continue growth and development.

Growth must be continuous and vigorous. Progressive dynamic policies and programmes will ensure the future of the next generation of Europeans. For the good of the whole Community, policies and programmes are regularly initiated and proposed by the European Commission in accordance with the Treaty and the needs of tomorrow's Europe.

Here are just a few areas of promising development where the European Commission is concentrating its efforts:

■ The ESPRIT programme, for example, provides the information technology industry with the framework it needs to be competitive on world markets in the 1990s.

Programmes like ESPRIT are now providing European companies and research establishments the means to combine their strengths across frontiers, by saving time and money and pooling research resources and results.

When the Treaty of Rome was signed thirty years ago the computer age was just beginning. By the year 2000, telecommunications will represent Europe's biggest investment in technology. Community action is now preparing the advanced, trans-European telecommunications of the 1990s.

■ Energy, too, is playing a vital role in the development of the European economy. European Community energy policies and programmes are achieving notable results. Working together, our member countries have halved their needs of imported oil. After twelve years of economic growth, the Community is now consuming about as much energy as was used in 1973. An important role has been played by Community programmes in energy technology, particularly in increasing energy efficiency, developing oil and gas resources, and finding alternatives to imported energies.

Over 1500 innovative, realistically-sized energy technology projects, with a financial contribution of over 1,000 million ECU \*\*, are bridging the gap between successful research and development and commercial exploitation. Workshops and conferences are organized to pass on the good news to all energy users and producers, small and large alike.

Essential information on these innovative projects to stimulate replication throughout the European Community is contained in the SESAME computerized data base, shortly to be opened to the public.

■ A very special role is foreseen for small and medium-sized businesses in the Community's future. The European Commission has set up a Task Force to concentrate on the vital problems of small businesses. Its aim is to establish economic and social conditions which favour the creation and development of businesses, mobilize risk capital, improve the legal, administrative and fiscal environment, and facilitate access to information. There's more good news. The Community has just agreed a 1 1/2 billion ECU loan facility, the New Community Instrument for small businesses.

If you want to find out more about these exciting opportunities for small businesses, or any other part of the Commission's activities or policies, cut out and send the reply coupon today.

■ Together we can all make a better Community.

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\*\* 1 ECU = £0.756464 (March 1987).



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## THE EEC 30 YEARS ON 2

Perceptions of a community . . . FT writers consider the responses of the four largest member states, three of them founders, to the increasing need to co-ordinate national policies.



Mrs Thatcher, pictured at a meeting of the 12 heads of government in London last December, has stopped talking about "our money."

## The UK

## Nowhere else to turn

BRITAIN has finally come to terms with membership of the European Community. It is impossible to say precisely when that happened. One had to put a date on it. It would be some time shortly after the British general election of 1983.

Mrs Margaret Thatcher had reached an agreement on the British contribution to the Community budget that was some what more generous than her foreign policy advisers thought possible or even wise to seek. She stopped talking about "our money."

But there was something even more important than that. After the election of 1983, the Labour Party changed as well. It began to recognise that withdrawal was not an option. Membership ceased to be an issue in British politics. In the British general election it will not even be raised, though what the various parties want from the Community is, of course, another matter.

The single most important reason for the change—apart from the accommodation on the budget—was the realisation that Britain in the 1980s had nowhere else to turn. The country was too weak to go it alone, either economically or politically. The special relationship with the US had become too unequal. Britain needed Europe to restore the balance. The old options of doing something with the Commonwealth or with the remaining Efta countries had long since disappeared, if they had ever existed.

The realisation spread through all political parties. The Labour Party now thinks that it is natural to have consultations and co-operation with its sister parties in Europe. The alternative economic strategy once favoured by the left, which saw Britain undergoing economic regeneration by cutting itself off from the rest of the world, has sunk almost without trace.

Indeed it is striking that it is sometimes the Labour Party rather than the Conservatives that is pressing for full British membership of the European Monetary System—the last sanctuary of the club from which Britain still excludes itself.

Of course, Europe has changed beyond recognition since the years when, first, Britain did not want to join and, later, when the Community of the Six, led by France, did not want Britain in. It has ceased to be inward-looking. All the members, and not only Britain, know that they need each other if they are to stand up to the rest of the world.

It is sometimes said that there is a danger of the Community

splitting into its northern and southern tiers, but that in a way is a tribute to enlargement. The US in its earlier history also had trouble in keeping north and south together. It succeeded. That is the challenge to the Community: how to keep disparate countries together in a common cause.

The democratic frontiers have also been extended. Spain, Portugal and Greece are now members. They would not be if they were still dictatorships. Knowledge of that must discourage them from attempting to return to their old ways.

Such factors matter to the British left, which used to see the old Community as a rich man's club dominated by France and the Federal Republic of Germany. Now it is seen as a much more open, more political body where even the rich members have problems with unemployment and can learn from each other.

In coming to terms with membership, Britain needed to show that it could make some specific contributions rather than just whining about the costs of belonging to a Community that it joined too late to shape.

There have been two, in particular. One is the push towards the liberalisation of the internal market, due for completion by the early 1990s. The other is political cooperation, which means essentially foreign policy.

Liberalisation of the internal market is good for Britain because Britain is good at services, especially financial services. No other financial centre in Europe can touch London. Even Frankfurt is jealous of the way that London goes on developing. Yet London's dominance is a contribution to Europe; there has to be a principal financial centre somewhere in the Community—London is it.

There is also the more popular aspect of liberalising the internal market: cheaper airfares, for example. They affect people. Even those who do not often notice the anomalies in fares between different places of approximately the same distance apart. The British Government is trying to bring the fares down. Again, that is part of a British contribution to the development of the Community which the country initially was not in a position to make. Now that it has ceased to be a grudging member, it can take the lead. In other words, it is finding a role.

It is the British role in the development of foreign policy, however, that matters most. Political cooperation has helped to bring the British and the French together. The two

old sparring partners do have interests in common. What is more, they have come to recognise that the areas in which they can operate separately are increasingly restricted. They also need allies, and they seek them in Europe.

The Single European Act last year legally enshrined political cooperation alongside the original Treaties of Rome. It is still a developing forum. Not every aspect of foreign policy has to be discussed and there are some notable omissions: the Community has not really turned itself to the Cyprus problem, for instance, though it is on its doorstep, and the interest in the Middle East has been sporadic rather than sustained. Yet, the forum is there; it could lead to a common European foreign policy if that is what the members want.

Add the renewed interest in Western European Union, the body that includes the core European members of Nato, and it will be seen that even the idea of a European defence policy could be coming back to life.

It may be said that Europe has been reactive rather than assertive. The Community would never have woken up to the need for a common foreign policy if it had not feared that the US might one day go its own way and, more recently, that the Soviet Union under Mr Mikhail Gorbachev is a different proposition than under his predecessors. There is something in that. But it is still happening and Britain has enormous cause to be grateful. The country could no longer make foreign policy alone. It was becoming ever dependent on the US and needed a new home where it could be more or less regarded as an equal.

Moreover, the change has come about without any great confrontation between Europe and the US. The Europeans know that if they want to exert influence on Washington, they had better act together. The same should go for relations with Moscow. At present, British foreign policy is very nicely placed: a door open to both superpowers, but only if the Europeans agree to recognise common interests.

There is one other side effect of British membership worth mentioning. It is very doubtful whether there would have been an Anglo-Irish agreement if both countries had not been members of the Community. Membership of the same club led to a growing mutual respect. Europe does break down barriers.

Malcolm Rutherford

THE PAST few years have brought fundamental changes in French attitudes to Europe and these have sharply narrowed the differences between the political parties over it. It is, for example, easy to forget now that when the French Socialists came to power in 1981 they favoured expanding domestic production by partially closing French frontiers, they were hostile to the value of the EMS and to European cooperation in defence.

Those beliefs got buried in the exchange rate crises of their early years in power. These had the effect of deepening French commitment to the EMS and to the pursuit of convergent economic policies. All parties in France—except the Community—now favour keeping the frame pegged closely to the DM which in turn means following restrictive anti-inflationary policies.

Likewise, when Mr Jacques Chirac took over as Prime Minister in March of last year it was as the head of a neo-Gaullist party that was dubious about the enlargement of the EEC, opposed to the signing of the Single Act treaty and committed to defending French farmers—the party's loyalist rank and file—against inroads into the Common Agricultural Policy.

On the first two issues, the party rapidly swallowed its continuing opposition of the "old guard" Gaullists who are faithful to de Gaulle's hostility to supra-nationalism in Europe.

On the CAP, Mr Chirac has achieved a remarkable turnaround in policy. His government—in opposition to the farmers lobby—is now committed to reducing Community surpluses. With the help of Mr Henri Guille, the French agricultural minister, he has imposed on French farmers hefty cut backs in milk quotas and reductions in cereal prices—softened somewhat by national aid in way that has brought France closer to farm issues to Britain than West Germany. Behind this lies the growing belief in France that the country cannot afford a

subsidised agriculture—as can the Germans—but that the productivity of French cereal producers enables them to compete world wide.

Thus a consensus has emerged on European issues which is probably more broadly based than in Britain or in West Germany. It is a consensus that accepts the need to reform the CAP, that favours tighter budgetary disciplines in the Community—France has become a net contributor to the Community—France has become a net contributor to the Community—France has become a net contributor to the Community.

Mr Jean-François Poncelet adds that it is nonetheless a consensus backed by little enthusiasm. The quarrels within the Community—the absorption of seemingly minor technical issues and the slow pace at which progress has been achieved—have not taken their toll of a public opinion which once could be rallied by the notions of the "European dream."

Thus the celebrations in France for the 30th anniversary of the signing of the Treaty of Rome will be symbolic rather than substantial. A crusading exception has been the magazine L'Express—owned by Sir James Goldsmith—which recently came out with a front page cover on Europe and a long supplement supporting it.

Behind the growing consensus on Europe lie both tactical and domestic imperatives as well as the tactical side, the balance of power in electoral terms in France is currently held by the small percentage of voters who consider themselves centrists. The centrists have been traditionally the main apostles of a stronger Europe and strengthening European institutions. Thus the presidential election campaign next year is likely to be the only major elec-

tion in Europe in which the future of Europe is an issue. The Socialists have already made Europe a major plank of their election campaign.

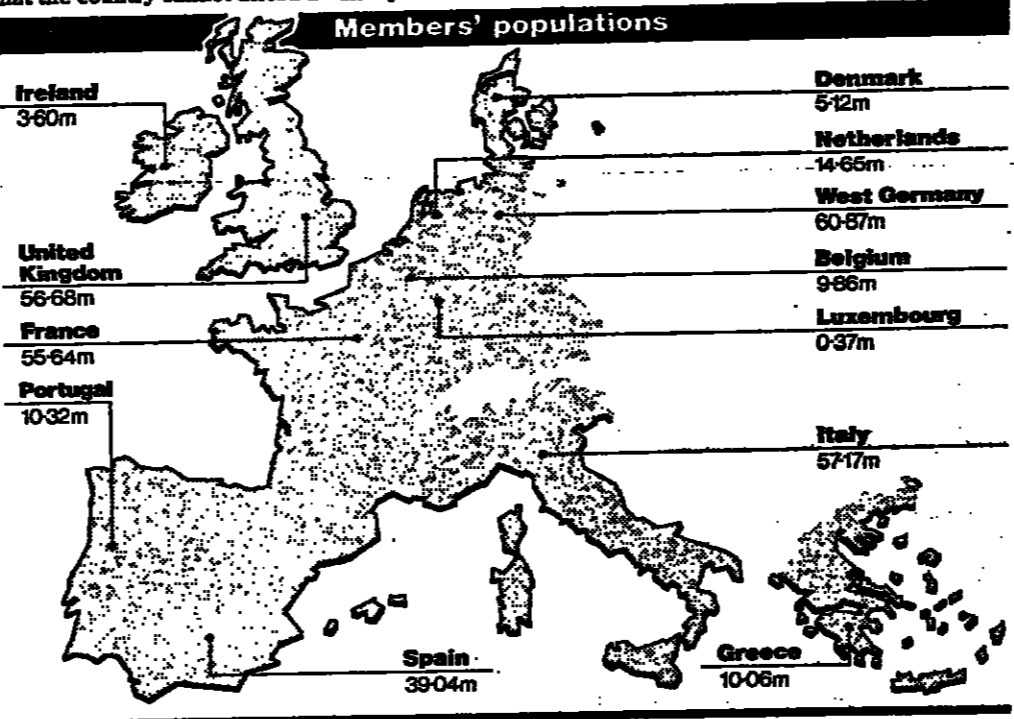
President Mitterrand's speech in London in January was in part intended to provide an historical and intellectual framework to what would be a Socialist policy towards Europe. Not to be left behind, Mr Chirac has also been deepening his European credentials with a great commitment to research (both European and French) and proposals for an European security forum. He clearly intends to leave no chink of armour open through which his opponents could challenge his failure to be sufficiently European.

More fundamentally, the pre-Euro consensus reflects French concern that European nations individually cannot hold their own against the economic power of the US and the Pacific. The consensus already in the Socialist government proposals for interventionist policies that would push European companies towards greater collaboration. It is reflected now in Mr Chirac's commitment towards a single European market as providing a spur towards greater rationalisation and growth.

In security terms, the Reykjavik meeting and, more recently, Mr Mikhail Gorbachev's arms control proposals, have spurred French feelings on the urgency of strengthening European security collaboration.

Not only do the French fear that the US is moving towards reducing its nuclear commitment towards Europe and withdrawing some of its conventional forces. But they also believe that unless Europe can establish a sufficiently strong defence identity there is a risk of West Germany drifting eastward in the wake of a new policy of détente.

The problem is that the French have difficulty in defining what steps should be taken. The government is anxious—particularly under pressures of increased costs—for increased collaboration over armaments



## Italy

## Wedded to the federalist idea

IN CONTRAST to the murky complexity of the country's domestic politics, Italy's approach to the European Community has been consistently straightforward. The early post-war leadership, in common with its counterparts in countries to the north, identified political and economic integration as the requirement of a supreme old continent, and since then the greater part of the Italian political establishment has been unwavering in its support for these objectives.

Indeed, among the larger member states, only the Italian political class is unambiguously wedded to the federalist idea. According to the Italian model, large chunks of sovereignty need to be transferred to a much more powerful European Commission while the European Parliament's powers to initiate and control policies should be greatly extended.

It was no coincidence that it was an Italian, the late Altiero Spinelli, who led the 1979-84 European Parliament's ultimately successful efforts to agree and adopt a new treaty of European Union. Unfortunately, this grand design found its way into the Single European Act agreed in Luxembourg in December 1985.

In other community countries, the Italians tend to be dismissed as impractical dreamers. Of course, it is said, a country which has been unified for barely a century, and whose central government is constitutionally feeble, can easily contemplate blending its nationality into a federalist design.

Other countries steeped in centuries of nationalist traditions inevitably face greater resistance within their institu-

tions and among their peoples. Italians have no difficulty in recognising such constraints elsewhere, but they are regularly disappointed by French and German leaders, for example, who have parroted the need for European unity without demonstrating either long term strategic design nor a short term readiness to compromise the national interest in the pursuit of the European ideal.

Thus, the failure to move to the second phase of the European Monetary System in 1980-81 through the creation of an embryonic community central bank was regarded by the Italians as something of a betrayal. When Helmut Schmidt, the then German Chancellor and Valéry Giscard d'Estaing, the French President, launched their EMS initiative in 1971-73, the Italian Government regarded it as the potential vehicle for economic and monetary union.

Italy was determined to support it both as a piece of grand European design and as a mechanism which could bring the country's economic performance into much closer convergence with the French and German economies. Once it had secured the wider 6 per cent divergence limit for the Lira against the 2.5 per cent allowed other EMS currencies, Rome worked hard for its success.

As a result, EMS membership put an end to the self-defeating policies of the 1970s which sought to accommodate inflation by repeated currency devaluations. Governments have been forced to adopt more stringent anti-inflation policies and to begin to tackle the huge public sector deficit. By the end of last year inflation, with a great deal of help

from falling oil prices and the dollar, had fallen from 16 per cent and the public borrowing requirement from 16 per cent of GDP to just over 14 per cent.

This special dispensation within the EMS is one of many examples of Italy managing to adapt a European initiative to its judgement of the national interest. This blend of pragmatism and idealism has not spared Italy the criticisms of some historians who maintain that Italy was far too passive and inattentive during the key negotiations of the 1960s on implementing the treaty. This is held to be particularly true of the common agricultural policy whose price support mechanisms were largely devoted to northern European products.

As a heavy net food importer, Italy found itself paying the high market prices set by the EEC for its imports and at the same time transferring money northwards through the EEC budget to finance CAP support.

Budgetary support for Mediterranean producers came to be grafted on to the CAP in an ad hoc fashion during the 1970s when Italian tactics during the annual price negotiations succeeded in winning special concessions for the country's farmers as a price for allowing a price agreement to go through.

By the end of the 1970s these gains were helping to shift Italy from being a net contributor to the community budget towards being a substantial net recipient. The development of the Community's regional and social policies were also a very important source of cash. Italy's share of the largest of these, the regional fund, has delivered around L8,000bn since 1975, more than 80 per cent of which has gone to the Mezzogiorno. These resources, however,

have not done much to close the gap in wealth and opportunity between the Italian north and south. Indeed, a survey produced by the Commission in the early 1980s demonstrated that the gap between the prosperous northern European heartland of Germany and the geographically peripheral areas of Italy and the UK had actually widened in the 1970s.

Nevertheless, the community membership furnished vital markets for northern Italian industry and by the end of the 1980s Italian gross domestic product had more than trebled its 1950 level. Elsewhere, the community provided the framework for Italy's post-war political rehabilitation and an alternative to extreme economic and political dependence on the US which had begun to worry its political leadership in the late 1940s and early 1950s. Moreover, the development of political co-operation enabled Rome to secure backing for its regional concerns, particularly in the Middle East.

The declaration made by the Venice summit of June 1980 on the Middle East, while by no means purely a product of Italian initiative, ranged all of the European governments alongside Italian views on the need to involve the Palestinian people and the Palestine Liberation Organisation in any peace settlement between Israel and the Arabs.

Yet Italy remains a somewhat contradictory member of the EEC of the 1980s. With an economy which is now probably the third largest after West Germany and France, Italy still tends to be regarded and to regard itself as one of the weaker brethren. Its fragile system of government and public

administration makes it one of the most persistent offenders in failing to apply community rules and legislation. Moreover, Rome still tends to seek special derogations from introducing new harmonisation measures in such areas as exchange control and capital movement.

These weaknesses will have to be remedied if Italy is to share a determining influence on the community's future with France, West Germany and the UK. Moreover, since the Community's budget is likely to remain under extreme pressure for the foreseeable future, Italy will be unable to maintain its historic share of resources in competition with the much weaker economies in Ireland, Spain, Portugal and Greece.

A pointer to the future trend can be seen in the proposals for the Community's future financing recently tabled by Mr Jacques Delors, the Commission President. Since they partly employ a measure of gross national product to determine budget contributions, they would, if adopted, raise Italian payments to Brussels in 1992 forecast at Ecu 4,806m, by a further Ecu 388m.

It remains to be seen how Rome will react to the prospect of becoming a more significant source of the Community's financing. With the right diplomatic skills, this could be translated into stronger influence on the Community's future development. However, Italy will have to demonstrate that it can develop initiatives which would both carry the Community towards the desired Italian goal of greater unity and take into account the manifest hesitation of some other countries about moving in that direction.

John Wyles

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West Germany

# Bonn seeks a different formula

THE BONN government is by far the biggest paymaster of the EEC and, representing Western Europe's most powerful economy, has a vital role to play in guiding the future shape of the community. Put simply, over questions of EEC reform, all roads have to go through Bonn. Yet, the palmy years of the 1950s when Chancellor Konrad Adenauer could say that what was good for the EEC was good for West Germany have now gone forever.

Mr Helmut Kohl, the chancellor, seldom loses an opportunity to proclaim Germany's political commitment to the EEC. But the government has had a great deal of trouble in backing its words with action. The country has lost its early naive enthusiasm for the EEC when the grouping of the Six was able to represent a fairly straightforward collusion of essentially French and West German interests.

Now that the original EEC has grown, through enlargement and an increasingly complex international environment, into a much more unwieldy animal, the Bonn government seems to be thinking up policies of trying to tame the beast.

In a sense, Bonn is groping towards a new and broader definition of what it wants to get out of the community in return for a commitment to help the commission out of a worsening financial crisis.

The price which Bonn is currently demanding includes a degree of generosity towards farmers, contradicting the overriding goal of agricultural reform to which Germany in the past has paid so much lip-service.

Bonn's present line also places the country on a potential collision course with the Commission in other areas — ranging from the liberalisation of air transport to the environment — and promises plenty of room for Brussels squabbling in coming months.

The export-dependent German economy clearly has an enormous investment in the functioning of the common market. Opinion polls show Germans still to be more ideologically in favour of the EEC than nationals from other countries.

None the less, the mood close to disillusionment over the European Community which has taken root in the federal republic poses without doubt

one of the major obstacles to solving the EEC's pressing problems.

Mr Kohl's centre-right coalition has just emerged from a painful period of trying to put together a cohesive government programme for the next four years after the January 25 general election.

Preoccupied more than ever by domestic issues, the administration appears woefully short of ideas and initiatives over the EEC.

The economy is heading towards a bumpy stretch after four years of upturn, and politics is likely to be dominated by a series of difficult state (Land) elections later this year. So the current rudderlessness of the Bonn Government's EEC policies, above all in the key area of budgetary reform, does not bode well for any breakthrough when Bonn takes over the community presidency in the first half of next year.

In an historical sense, the difficulties are probably inevitable, but they have come to the surface at a most unfortunate time for the EEC.

And, for the hurdles to be

overcome, the Bonn Government will require a properly worked-through European policy which is borne by something approaching the whole government, not simply by the experienced foreign minister, Mr Hans Dietrich Genscher, acting more or less on his own.

Mr Genscher is one of the main proponents of cooperation to give the EEC a more powerful political voice on the world stage, but even though he has emerged strengthened within the coalition after the election, Mr Genscher is not likely to be able to back through the conflicting mass of domestic lobby interests which are the chief arbiters of German policies on the EEC.

Going back to the 1950s, Bonn needed originally to join a united Western European community to lay down firm tracks leading away from the Nazi past — and also from the totalitarian system arising on the other side of the Iron Curtain.

Its western partners recognised this. From the West German point of view, the Community was born out of a need to give the federal republic equally

industrial markets and a solid political attachment to the western democratic alliance.

Less burdened by the war-time past, Bonn has now outgrown this early rationale — and not yet found another suited to the country's political and economic position in the 1980s.

The government in no way wants to renege on its role of providing a net DM 8bn a year for community finances — a sum which will increase when the EEC's new financing formula allowing it to levy 1.6 rather than 1.4 per cent of members' VAT receipts comes into force. As a country which arguably draws full profits out of relatively open internal EEC markets, Bonn rejects the UK language of wanting a "just return" out of EEC contributions.

Although Bonn wants a new payments system which will call on more funds from other relatively rich countries like the Netherlands, Belgium and Denmark, foreign ministry officials say, Germany knows that it will and must remain the principal paymaster.

But at the same time it is clear that Bonn will be playing a good deal tougher than in the past in exacting its terms. The current row between Mr Ignaz Kiechle, the agriculture minister, over the Commission's latest farm price proposals — termed by Mr Kiechle a "declaration of war" — represents the latest stage in three years of hostilities over agriculture.

Increasing yearly farm subsidies have been one of the features of the Kohl government's economic policies. The pattern set by Bonn's decision in 1984 to pay farmers DM 2bn a year to make up for monetary compensation amounts (MCAs) formerly paid out via border taxes has been continued ever since.

Now Bonn is setting its face against the Commission's proposal of phasing out MCA's altogether.

The Bonn view is that, with the Deutsche Mark prone to frequent devaluations within the European Monetary System, EMS realignments would be impossible to carry out in future unless MCA's existed to protect German farmers' incomes which would otherwise be eroded.

Over the vexed question of the EMS's future, Bonn seems to have run short of constructive suggestions for transforming the system beyond a currency intervention mechanism into the more ambitious scheme to promote economic harmonisation favoured by its French and German architects in 1978.

And on the commission's goal of moving to full liberalisation of the internal market by 1992, German defence of norms and standards which protect its own market have been a staple source of irritation with the rest of the EEC.

Across the whole complex of issues on which there is at the moment discord between Bonn and Brussels, West Germany sometimes claims it is being unfairly singled out for blame.

The view is heard that the federal republic is only catching up with some delay on the tougher-minded negotiating stance used already by Britain and France.

This might well be partially true, but Bonn's present line, far from laying the basis for less of the past few years' complex bickering in Brussels, seems on the other hand to be paving the way for still further doses in the next 12 months.

David Marsh



Konrad Adenauer (centre) signs for West Germany at the Rome meeting.

## Three decades of the Community

March 25 1957. Treaties of Rome, establishing the European Economic Community and the European Atomic Energy Community, signed by the Six.

January 1 1959. The first cut in customs duties. Gradual introduction of common external customs tariff.

July/August 1961. UK, Ireland and Denmark submit applications for membership. Norway follows in April 1962.

January 1962. Marathon negotiations establish the Common Agricultural Policy.

January 14 1963. General de Gaulle says No to British membership applications. Negotiations suspended January 18.

June 30 1965. France abandons its seat in the Council of Ministers in row over provision of future finance and budget powers for Parliament. For seven months, there is an "empty chair".

January 22-25 1966. The Six agree to disavow the "Luxembourg Compromise", giving France a tacit veto right.

May 11 1967. The UK, followed by Ireland, Denmark and Norway, apply for membership.

June 1967. The customs union completed (18 months early).

December 1-2 1969. The Hague summit: EEC leaders agree on eventual establishment of economic and monetary union, stronger institutions, enlargement to include new members, and stronger political co-operation.

April 22 1970. Establishment of Community's own resources — automatic payment of customs duties, agricultural levies, and up to 1 per cent value added tax to Brussels budget.

October 27 1970. Davignon plan for political co-operation adopted, establishing regular meetings of foreign ministers.

April 1972. The Six, plus UK, Ireland and Denmark, join the "snake" exchange rate system, forerunner of the European Monetary System.

January 1 1973. The UK, Ireland and Denmark join the Community. Free trade agreements with remaining EFTA members.

February 28 1975. First Lomé convention signed, for aid and co-operation with 46 African, Caribbean and Pacific countries.

June 12 1975. Application for membership from Greece.

March, July 1977. Spain and Portugal apply for membership.

April-December 1978. Copenhagen, Bremen and Brussels summits set up European Monetary System, and create the European currency unit (Ecu). UK stays out of the exchange-rate mechanism.

June 1979. First direct elections to European Parliament.

November 1979. Dublin summit. Mrs Thatcher says: "I want my money back."

February 13 1980. Eurotel telecommunications system inaugurated, first major Community achievement in telematics.

May 30 1980. First British budget rebate agreed.

January 1 1981. Greece joins the Community.

February 22 1982. Greenland opts to leave the Community.

January 25 1983. Common Fisheries Policy established after six years' negotiation.

March 31 1984. Agriculture ministers agree CAP reform measures, including introduction of milk production quotas.

April 9 1984. Joint European Torus (JET) established to research nuclear fusion.

June 28 1984. Fontainebleau summit agrees extended British budget compensation.

January 1 1985. First European passports issued.

June 1985. European Commission sets 1992 as target date for completion of a frontier-free internal market.

June 30 1985. Milan summit endorses 1992, and votes for constitutional conference to revise the Treaty of Rome.

December 4 1985. EEC leaders agree main lines of Single European Act, to streamline decision-making, and institutionalise political co-operation.

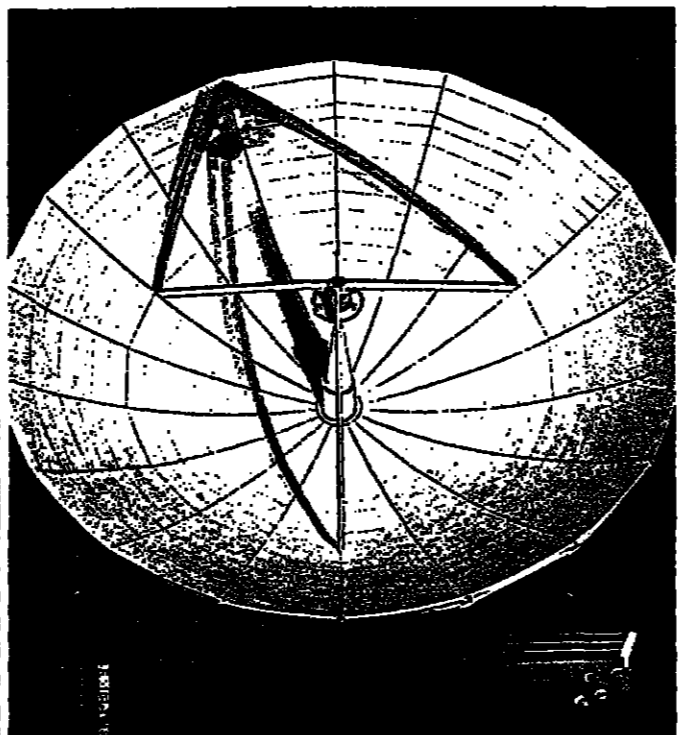
January 1 1986. Spain and Portugal join Community. Own resources ceiling raised to 1.4 per cent VAT rate.

February 18 1987. President Jacques Delors proposes radical overhaul of Community's future finances.

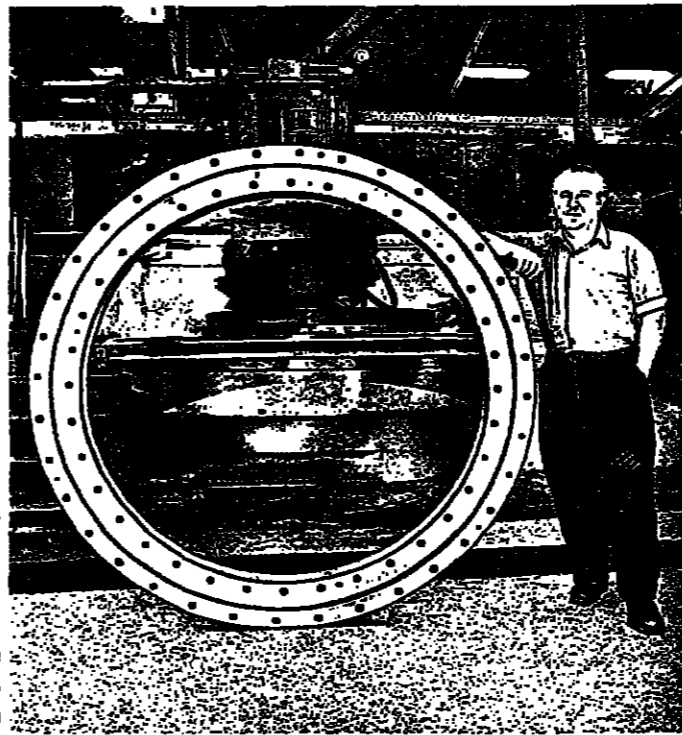
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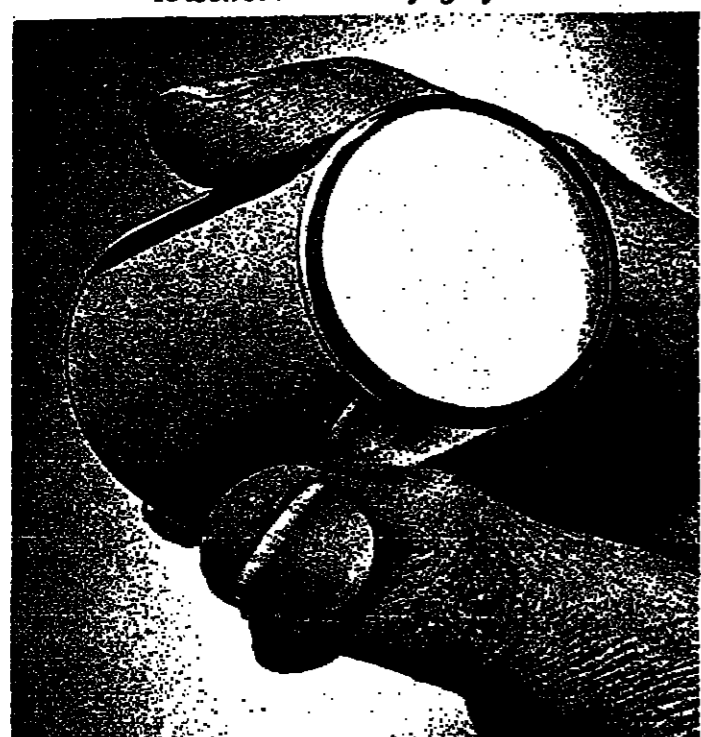
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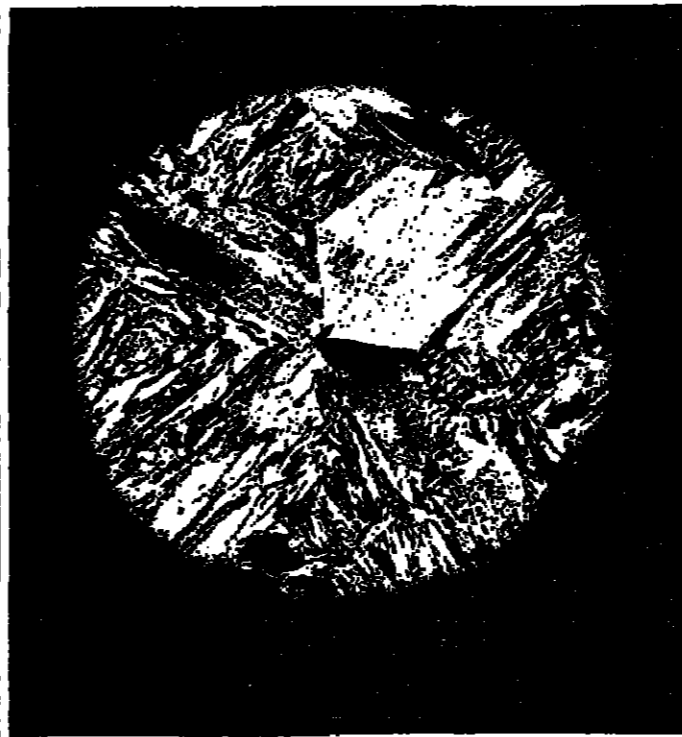
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THE EEC 30 YEARS ON 5

FT writers appraise the attitudes of smaller member-countries

EARLIER THIS year, Flemish-speaking Christian Democrats astonished observers at their annual conference by passing a motion which outlined the long-term future of Flanders in the context of a federal Europe.

Their implication that Belgium is a transitional, or even artificial, alliance of two separate peoples probably owed much to the passions aroused at the time by the country's bitter language dispute. But the motion also illustrated the strong sense of attachment in this part of the Community to the ideal of a united Europe.

The same solidarity characterises the Dutch and Luxembourg people, whose customs bloc with the Belgians was foreseen in the September 1945 Treaty of London but did not get off the ground fully until after the November 1960 signing of the Benelux Economic Union. Indeed, it is the Dutch who, according to the most recent poll, appear to be the strongest champions throughout the Community of 12, with 84 per cent of those interviewed in favour of the "EEC cause" and 59 per cent in favour of more majority voting, and hence speedier decision-making, in the Council of Ministers.



Brussels—a seat of Europe's institutions.

Benelux

Strong ideal of unity

The European Community gives small member states like Belgium, the Netherlands and Luxembourg a disproportionately loud voice, relative to their size, on the international stage. This is especially so during a six-month spell as President of the Council of Ministers as Mr Leo Tindemans, for example, relishing the attention and prestige at home of initiatives in the field of foreign affairs, is currently finding out. Over the years the Dutch appear almost to have monopolised the key position of EEC Agriculture Commissioner, being able to claim the original architect of the CAP Mr Sicco Mansholt, the 1973-77 incumbent Mr Lardinois, and the present occupant Mr Frans Andriessen.

Hosting EEC institutions, of course, confers further political and economic privileges. Brussels, besides being well-known as the home of the European Commission, part of the European Parliament and part of the Council of Ministers, has 135 diplomatic missions, 2,000 indi-

vidual diplomats and at least as many as that in extra support staff. Its attraction as a centre for multinational businesses is not quite what it was in the heady days of the 1960s, but the number of international corporate headquarters is nevertheless impressive.

Luxembourg's dependence is considerably greater—it has the Court of Auditors, the European Court of Justice, the European Investment Bank and the Council of Ministers three times a year, as well as some Commission and Parliament staff.

Moreover, recent suggestions that the parliamentary presence should be shifted to Strasbourg have been fiercely resisted.

"People frankly have been very hurt at the idea," one Luxembourg-based Brussels resident said recently. "We made a lot of effort to accommodate the institutions in the early days, and they are now of considerable economic, as well as political, significance."

The fact that all the Benelux

countries are inextricably part of the wider European economic market place is highly significant. In Belgium exports represent 70 per cent of the country's gross national product—many companies are either subsidiaries of, or sub-contractors to, larger concerns beyond its borders, with the result that they prosper when the EEC—and notably West Germany—does well. German kitchens may have well-known brand names, but it is not widely appreciated that the doors are made in Belgium.

Promotion of a free internal market is equally vital for the Netherlands, where exports represent 60 per cent of national income, of which 72 per cent goes to other EEC countries. Of that 72 per cent, worth £180bn, 35 per cent goes to West Germany, while overall the country's trade surplus with the Community is around £150 bn (based on 1985 figures).

The idea that all three members of the Benelux Union are irreproachable, misty-eyed enthusiasts for the Community ideal would be wrong. Despite its pro-European rhetoric, for example, Belgium has a poor record for sticking to the Commission's timetable for implementing EEC directives (partly because of its complex system of regional government), and has consistently propped up its steel industry with state aids which far exceed Community guidelines.

For all the openness of the Dutch, the initial reaction of the country's Finance Minister, Mr Ruyter, to Mr Jacques Delors' new plan for contributing to the EEC budget was to highlight the fact that, under the new system, the Netherlands would pay more. Although this initially somewhat chauvinistic response has since been toned down, discussions over future financing could prove a key test of Dutch commitment.

Some Luxembourgians see a threat to their country's fiscal privileges in Brussels' moves to push ahead with the harmonisation of indirect taxes throughout the Community.

Mr Wilfried Martens, the Belgian Prime Minister, said in a speech last month that "the Benelux Union is, in my opinion, still very often the pioneer and promoter of moves towards a more integrated Europe."

The close co-operation of the three members ahead of Councils and summits—and the tendency to vote together on most though, not all—issues—bears witness to the significance of such a role. Perhaps the major question for the future, however, is how loud this voice will be heard in the bigger Europe increasingly preoccupied with the demands of the southern and Mediterranean states.

Tim Dickson

Spain and Portugal

Firmly behind the Community

BOTH SPAIN and Portugal were motivated primarily by political reasons in joining the EEC, with this perspective in mind—less materialistic than that of the British 13 years earlier—it is not to be wondered at that most people in the Iberian peninsula and dependent islands, a year and a bit after entry, still consider being in Europe to be A Good Thing.

Despite rumblings of discontent in both countries among industrialists, accustomed to a paternalistic environment, and farmers, a recent Gallup poll found 66 per cent of Spaniards and 67 per cent of Portuguese solidly in favour of the Community.

But there, the two most recent members' experience of life in the EEC begins to diverge. Oddly, the more positive judgment comes from Portugal, which was unlike Spain in having an anti-EEC lobby prior to entry—in particular, the Moscow-line Communist Party and part of the business establishment which thought that Western Europe's poorest country was in no fit state to join. According to the opinion poll, 80 per cent felt Portugal had already benefited from membership. The figure for Spain, in contrast, was only 20 per cent.

The rather muted assessment is to some extent echoed at government level. Spain's Socialist administration, which, without any of Portugal's small-nation reservations, threw its weight wholeheartedly behind every pan-European aim, has been disappointed with the realities of political co-operation in the Community.

Economically, however, both countries have cause for some satisfaction, or at least relief. Value-added tax has been introduced with surprisingly little trouble. Inflation did not go down in Spain last year, but did not take off either, holding at just over 8 per cent, and it has since dropped. In Portugal it continued to come down to 10.6 per cent in the year to December and is expected to be in single figures this year. Contrary to some forecasts, neither country became a net EEC contributor in its first year, with Portugal in surplus to the tune of more than Ecu 200m.

In both countries, entry coincided with a period of renewed growth, rising current account surpluses, revived investment, increased purchasing power and expanding consumption—helping to sugar the pill and enabling local producers to increase their own output despite the flood of extra EEC imports.

However, both lost their trade surplus against the remainder of the Community. In Portugal's case this surplus had only been a very narrow one in 1985. For Spain, which had bigger barriers against EEC imports, the change was more dramatic. With the first slice taken off entry tariffs, and with exporters losing their valuable tax incen-

five, a Pta 220bn surplus turned into a Pta 164bn deficit—a swing of more than US\$6bn. West Germany, by contrast, has seen its trade surplus with the US (and, thanks to oil price cuts, ahead of Opec) to become Spain's main supplier. Overall Spanish trade outside the energy sector, which up to last year was in surplus, is henceforth in the red.

Although the trade loss was offset by a steep rise in investment from the EEC, employers are worried by deteriorating Spanish competitiveness, especially now that the country is coming up to its seven-year transition schedule. The CEOE employers' federation claims Spain still has a 30 per cent lag in productivity compared with the EEC average. A slight depreciation of the peseta last year failed to make up a widening inflation gap.

Combined with a series of farmers' grievances, these complaints have begun to form a body of right-wing opinion highly critical of Spain's EEC terms. Former centrist prime minister Mr Adolfo Suarez, the man who lodged Spain's EEC application 10 years ago, recently sowed a dangerous seed by bringing up for the first time the idea of renegotiation.

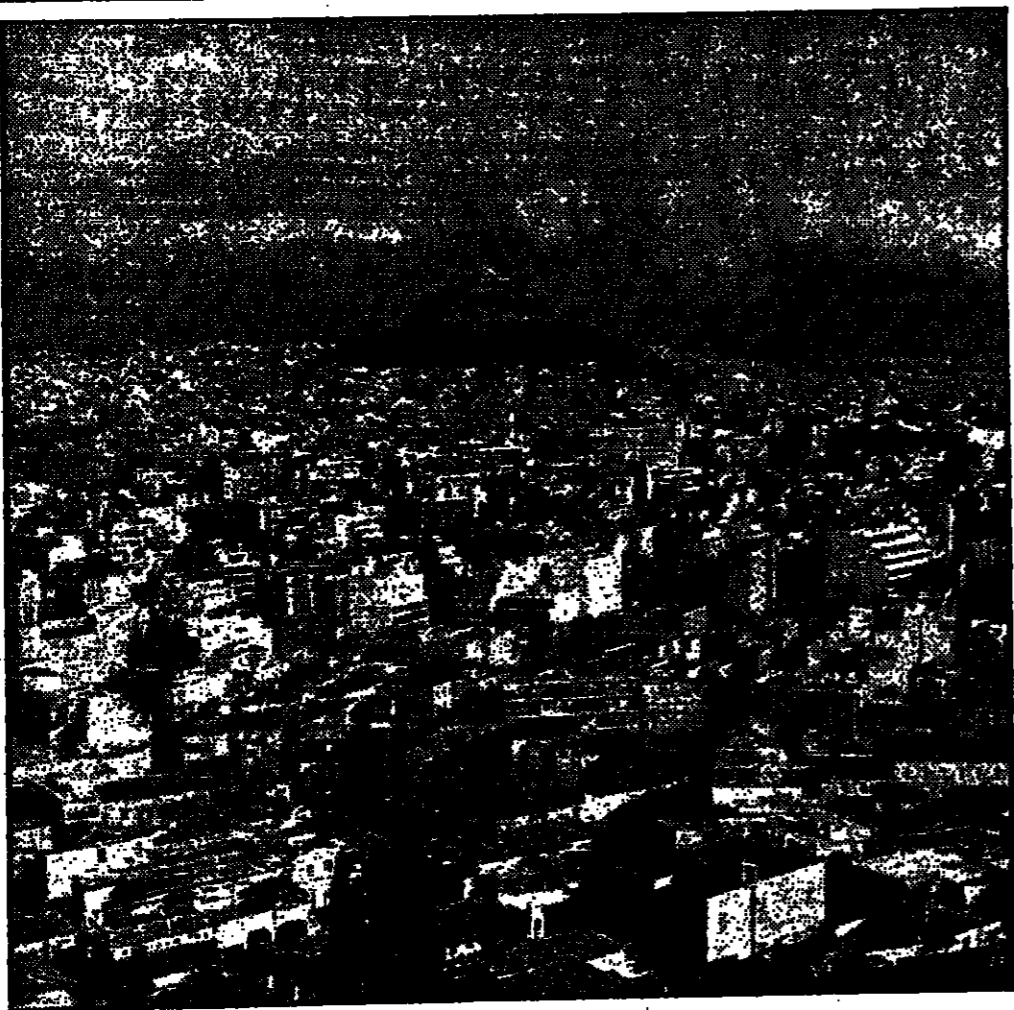
The Portuguese appear to be counting on criticism being offset by the visible impact of EEC funds, especially on essential infrastructure projects. Portugal negotiated with these funds foremost in its mind, and has since concentrated its efforts on utilising them. While its farms, employing 23 per cent of the active population, present major problems of adaptation, there has been a sharp rise in investment in agriculture and fisheries, particularly in processing, since entry.

While foreign capital has been relatively cautious, the centre-right government claims that neither its running of the economy nor Portugal's previous relations with its former African territories have been disturbed by EEC accession.

Some problems left over at the time of entry have meanwhile been settled to Lisbon's satisfaction—among them, rules of origin for exports to Spain, and access for Portuguese textiles in the rest of the community. Portugal's imports have but so have exports, including to non-EEC countries. The overall trade deficit last year was down.

The feared invasion from the Spanish neighbour has come in the form of a 45.5 per cent rise in imports last year. But, while bilateral trade remains heavily in Spain's favour, Portugal managed to counter with a 57 per cent increase in the other direction. The fastest change since the 1986 enlargement is the move towards integration of the two Iberian economies, like two strangers who accidentally find themselves at the same end of the bar in the same club.

David White



Athens—wind of federation blows.

Greece

A champion of reforms

GREECE'S SOCIALIST government came to power 10 months after the country's accession to the European community on January 1, 1981, on a platform of EEC withdrawal in favour of greater national autonomy in decision-making.

Today, not only is there no question of a Greek pull-out from the community, but the Socialist administration in Athens sees itself as a budding champion of reforms towards European union advanced by the European Single Act.

The turning point came with the inter-governmental conference on the Single Act in 1985. Now a new wind of European federalism is starting to blow in Athens, one Greek official said.

A number of developments have contributed to the Greek change of heart. One was the approval of the Ecu 6.5bn seven-year Integrated Mediterranean Programmes (IMPs) scheme, aimed at compensating southern EEC countries for Spanish and Portuguese accession, of which Greece is the major beneficiary.

A second important development was Greece's use of Article 106 of the Treaty of Rome at the end of 1985, to secure a two-tranche Ecu 1.75bn EEC support loan to tide the country over its balance-of-payments crisis.

Not least, Athens has come to perceive that EEC membership

is perhaps the most effective political tool at its disposal for use against its rival Turkey.

Greek objections, on the grounds of the restriction of Greek citizens' property rights in Istanbul and Turkey's continuing military occupation of part of Cyprus, barred efforts last year for a revival of the 1963 Turkey EEC Association Treaty. Athens has said it will veto any application for full EEC membership by Ankara.

Greek officials link the issue of Turkey to Athens' strong support of reinforced political co-operation within the EEC, which the Greeks would like to extend to cover all security and defence issues. Greece has sought for the past five-and-a-half years, so far without success, a generally-worded NATO guarantee against what it perceives to be a Turkish military threat in the east. The Greek prime minister has, in the past, suggested that Greece might transfer to the EEC its efforts to secure such a guarantee.

The Greek Government's current philosophy on the Community is set out in a January 1987 foreign ministry paper, according to which "Greece views the European Community as an economic and political entity advancing towards European union on the basis of two fundamental principles: Community solidarity, and equal participation of all member

countries in all processes and activities leading to integration."

The paper endorses a strengthening of the role of the European Parliament and Commission.

At the same time, it regards as "imperative" the elimination of regional inequalities in living standards and levels of development within the EEC, and stresses the need to ensure the necessary financial resources to finance policies and instruments feared towards achieving convergence.

"In 1975 the Greek per-capita income represented 58 per cent of the Community average, and in 1987 53 per cent," said one Greek official. "It is this sort of drastic gap that the EEC must address."

According to the paper, the Common Agricultural Policy (CAP) "is the foundation of the Community edifice, and should therefore continue functioning according to the goals of the EEC treaty." It is recognised, however, that reforms are urgently needed to tackle surpluses, increased costs, and external trade problems. In the Greek view, these reforms should also boost support for small farmers and equalise agricultural incomes in the north and south of the Community.

Andriana Ierodiakonou

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In Spain, the Socialist administration of Mr Felipe Gonzalez has jettisoned much ideological baggage



## Appealing to realism

FOUR AND A quarter years makes Mr Felipe Gonzalez's Socialist administration the longest-serving elected government Spain has ever had. That says as much for the history of Spain—this century it has spent slightly more time under dictatorship than under democratic rule—as it does for Mr Gonzalez. The odd thing perhaps is that this unseasoned stability should come under the Socialists, who had never ruled before except as coalition partners in the unruly period which precipitated Spain into its 1936-39 civil war.

In "Pelipe" the socialists found what post-Franco Spain evidently wanted, someone representing a new generation which was not mixed up with the past. Taking his party out of clandestinity into the Spain's new parliamentary system, Mr Gonzalez had jettisoned much of its ideological baggage. His carefully-groomed, youthful but responsible image carried the 10m votes which swept him into office at the age of 40 as Spain's youngest-ever prime minister.

His image alone can be seen as a major factor in the way Spain has cemented the Socialists in power and put aside any lingering doubts about the safety of democracy. A man whose forte is explaining, more than putting forward new ideas, he comes across as straightforward, articulate and serious. Some of his conservative opponents say he has proved a better prime minister than they expected.

A largely technocratic government has pressed ahead with measures to liberalise the economy which, in the words of a senior foreign banker in Madrid, "a right-wing administration with all its vested interests, could probably not have carried out."

But the constant appeal to realism, at the cost of traditional left-wing demands, has lost Mr Gonzalez a lot of the popular enthusiasm that accompanied his sudden rise to power. Perhaps the transformation

from the table-thumping, open-shirted "Felipe" to the dapper, heavy-jowled "presidente" (the prime minister's official title) has been too rapid.

Spain's new right-wing opposition leader Mr Antonio Hernandez Mancha, nine years younger than Mr Gonzalez, accuses the prime minister of "having nothing more to say."

The left and the young are largely disenchanted with the "change" promised by the Socialists four years ago. Mr Gonzalez, just turned 45, is widely seen as an aloof and distant tenant of the Moncloa Palace outside Madrid, suffering the same "monoclonal syndrome" that Mr Adolfo Suarez, the former centrist premier, used to be accused of.

This last Christmas, the rage was a series of plastic figurines of politicians—the "monoclonal" designed by Gallego and Rey, the country's top cartoonist team. Mr Gonzalez, with long nose and thick lips, was portrayed as a Roman emperor, playing a lyre.

Andalusia did indeed produce its Roman emperors but not from backgrounds like Mr Gonzalez's. Son of a small dairy farmer who had settled in the outskirts of Seville, he was the only one of his family to study at university, graduating in law and becoming a labour counsel. His association with the Socialist party started in his early 20s, after activity in Catholic youth movements. As leader of the Seville branch's campaign to break the hold which civil war exiles still had on the party, he became known as "El Moro"—the Moor.

The party later substituted the less derogatory pseudonym of Isidora, after one of Seville's patron saints, and it was under that name that he won the party leadership at its congress at Suresnes, outside Paris, in 1974.

The support given to the left-wing secretary-general by Mr Willy Brandt, the West German social democratic leader, clearly influenced his political approach, which steered away

from the more radical programmes of the French Socialists, who had provided their Spanish counterparts with their base in exile. In 1979, Mr Gonzalez took a calculated gamble, refusing to stand for re-election while the party continued to describe itself as Marxist. At an extraordinary party conference four months later, he was triumphantly voted back in and has since been without even the shadow of a challenge as leader.

Guided by an acute sense of history, Mr Gonzalez has sought both to avoid the impulsive tendencies which got the left into trouble in the 1930s and to rid the country of the demons of the past. Two summers ago he went as far as to holiday on General Franco's former yacht, a would-be gesture of reconciliation that backfired badly against him.

With little taste for playing to the crowd, he keeps to his family, close friends and vegetable garden in the Moncloa, where he has had his own entertainment corner fitted out, a long vault of exposed brick with few ornaments, where he can still take his tie off and share out the cigars he receives from President Castro.

Some observers see Mr Gonzalez now entering his most difficult patch, with this year's student and labour problems and with unresolved foreign policy issues, including that of Spain's US bases, building up. But his toughest ride was certainly last spring's referendum on continued membership of NATO. After opposing Spain's joining the alliance, he had promised the referendum in the 1982 election, when he was already far from keen to have to pull Spain out. Having swung a reluctant party around to accepting NATO, he turned to the last minute over the result. From this need, less tangle, which almost proved to be a fatal mistake, he succeeded in extricating himself—but not without cost to own popular image.

David White

### Profile/Giulio Andreotti

## More European than their governments

AMONG ALL the men and women currently in government in the European Community, there is none with the depth of political experience of Giulio Andreotti, and precious few with his vaulting commitment to a unified Europe.

In recent times he has had the opportunity to try to push the faltering process a little further forward. As foreign minister in 1985 when Italy held the presidency of the EEC Council of Ministers, he performed prodigious feats of stamina and concentration in shepherding the final rounds of the enlargement negotiations towards a successful conclusion.

The 65-year-old Andreotti was said to have been a powerful influence on prime minister Bettino Craxi's chairmanship of the Milan summit of that year. Although heads of government had never previously voted, Mr Craxi required them to do so on the issue of holding a conference to revise the Treaty of Rome. The majority was that the 10 plus Spain and Portugal should move to the Luxembourg negotiation of that year.

One of the few people who was publicly disgusted by the outcome of Luxembourg was Mr Andreotti. The Single Act's limited application of majority voting, its preoccupation with the internal market, and its modest development of political co-operation were all of little consequence to Mr Andreotti.

"The Community cannot be a free trade area, with the addi-

tion of a bit of political co-operation," he complained to the Italian parliament. "It must achieve growing integration and greater equality of life between all of its member countries."

Clearly, Mr Andreotti's convictions on the ultimate desirability of European Union are sincerely held. He has repeated them on many occasions over the years and there is no particular reason for him to change his ideas. What is curious, however, is how little public understanding he displays for those who are less ideologically about the Community's ultimate destination or who are altogether hostile to the ideas of political unity.

Mr Andreotti appears convinced that the sceptics and opponents of political union such as Britain's Mrs Thatcher and Denmark's Mr Poul Schluter are misrepresenting the true feeling of their populations.

"I am convinced that people are more European, even if they do not know it, than their governments," he said in the same speech to the Italian parliament.

He draws some support from opinion polls which reveal that 76 per cent of respondents around the Community are "in favour" of European union.

Europe is one of the few subjects about which Mr Andreotti allows himself a public statement of ideas. His enthusiasm may derive from the formative experience of his life which was his youthful friendship with the

Italian elder statesman and founder of the post-war Christian Democrat Party, Mr Alcide de Gasperi.

When de Gasperi was the Italian Republic's first post-war Prime Minister, Mr Andreotti served as his under-secretary for seven years. He witnessed the formation of the coal and steel community and the negotiations on a defence community, adopting in the process de Gasperi's enthusiasm for the European idea.

More generally, Andreotti has been, through his long political life, a quintessential pragmatist. No one could be as intellectually clever as he is without being interested in ideas, but few intellectuals are so apparently lacking in firm beliefs.

These may have been shed over the years as Andreotti devoted himself to the pursuit, the exercise and the witness of political power. At the time of writing, he is currently hoping to sculpt a coalition which would enable him to take over from Mr Craxi as Prime Minister—a post he has held five times before but for which his longing is almost tangible.

He has also held every other high office worth having from finance to defence to foreign affairs. His is an almost unique political career, having sat in government almost continuously for 40 years. His laconic, ironic observations have filled diaries and magazine columns and his less publishable notes are said to be a source of



Mr Andreotti: encouraged by the polls

considerable influence over his colleagues.

The character of this reasonably tall but stooped man whose neck appears to have been screwed into his shoulders is remarkably elusive for one in public life so long. His cleverness and powder-dry sense of humour make him immensely popular with the Italian people. His closeness to the Catholic church helps his standing with believers but is no obstacle with the unbelieving laity.

He was "Teflon-coated" long before Ronald Reagan. Possibly no other politician could have survived the repeated odours of scandal which have surrounded him for more than 20 years—and probably no other country would have allowed him to. He

has seemingly always managed to shrug off as the work of his enemies accusations of corruption, magisterial and parliamentary inquiries into his conduct and suspicions of guilt by association with Mafia circles or the late convicted Sicilian embezzler, Michele Sindona.

He is a man of ice-cold nerves, iron restraint and a genius for compromise for which the Italian political system offers a most perfect outlet. As Foreign Minister since August 1985, he has won a great deal of respect and authority abroad. For the foreseeable future, however, he has returned to his true métier as one of the great mediators of Italian politics.

John Wyles

### Defence

## Interests distinct from those of US



The Reykjavik summit: some Europeans got a bad fright

EUROPE HAS probably done more in the past three years to define, if not achieve, a common defence identity for itself than in the previous 30 years.

It was in 1954 that the ambitious plan for a supra-national Europe Defence Community failed. Three decades followed of sidelong and sporadic searching for an institutional (mainly EEC) approach to European security.

Only in 1984 was the issue tackled frontally again, with the twin track decision of that year to breathe fresh life into two organisations overtly concerned with European defence and arms procurement policies—the Western European Union (WEU) and the Independent European Programme Group (IEPG).

A steady succession of events has heightened the Europeans' awareness that they share certain common security interests that are distinct from those of their major ally, the US. First, the Reagan Administration's attempt to impose economic sanctions on Moscow in the wake of the invasion of Afghanistan and martial law in Poland, and Western Europe's unwillingness to follow this move, showed the US and Europe put a different perspective, and price, on relations with the Soviet Union.

Second, the new "get tough" US policy in Libya, Nicaragua and other parts of the Third World, and the US support and much criticism from Western Europe, European confidence in Washington's ability to manage regional crises has not been exactly raised by the absence of any recent US peace initiative in the Arab-Israeli dispute and by the extraordinary sale of arms to Iran.

Third, the US gave Europe, or at least some Europeans, a bad arms control fright at the Reykjavik summit. The latter worried that President Reagan's, whatever he says, in the process of de-coupling the US from the defence of Western Europe with research into a Star Wars defensive shield mainly aimed at covering the continental US and with his associated Reykjavik proposal to abolish ballistic nuclear missiles within 10 years.

Fourth, calls are once again being made in the US for at least a partial pull-out of 288,000 US troops in Europe. Such calls may get a hearing not so much with the administration, but with a Congress more sensitised than ever by the size of the US trade deficit to arguments that allies are not shouldering their fair share of the alliance defence burden.

Whether the US will ever get its allies to do more among themselves by threatening to do less itself is moot. But it is certainly getting them to talk more among themselves.

The talk is very disparate. Virtually all European governments, or certainly defence ministers, have qualms about the impending US-Soviet deal to pull all medium range missiles out of Europe, though only the French minister, Mr Andre Giscard, is bluntly resistant to the idea. Dr David Owen, the UK Social Democrat leader, wants Britain to cancel Trident and buy submarine-launched missiles from France, or co-produce US-designed Cruise missiles with other European countries.

Britain, however, has little part to play in repeated calls by Mr Helmut Schmidt, the former German chancellor, for a greater European defence effort, taking the form of his country

providing more conventional forces, and France providing a nuclear guarantee, for the whole continent.

Perhaps the nearest thing to the outline of a common European defence policy came in a speech made by Mr Jacques Chirac, the French prime minister, last December to the parliamentary assembly of WEU, the organisation created in 1948 and enlarged in 1954 to group Britain, France, the Benelux countries, West Germany and Italy. Mr Chirac proposed "a West European charter of security principles": reliance on nuclear deterrence; deterrent policies geared to conventional and chemical as well as nuclear threats from the East; continued "presence of US conventional and nuclear forces on our continent"; and "realistic and verifiable" arms reduction agreements.

Mr Chirac's "principles" were unexceptional. They were closely foreshadowed by what Prime Minister Margaret Thatcher and President Reagan agreed in November at Camp David and were followed by a very similar statement by NATO foreign ministers. But they clearly signalled France's intention to join the centre of the European security debate, and to do so through the WEU.

This was logical. One of the major advantages of WEU is that it has as a member France, which despite its increasing close working links with the NATO military, still lies formally outside NATO's integrated military structure.

WEU has had a largely somnolent past. It has performed some useful functions, such as providing the means for integrating West Germany and Italy into the Western alliance, for maintaining (until 1984) a check on certain aspects of German re-armament, and for ensuring political consultations between the original EEC Six and Britain (until it entered the EEC in 1973). But it might have withered right away, had the EEC found some agreed way of acquiring a security dimension.

Britain tried, during its 1981 council presidency, to give EEC political co-operation a security aspect. So did the Genscher-Colombo initiative a couple of years later. Certain EEC Commissioners, like Viscount Etienne Davignon, tried to subsume defence into EEC industrial policy.

Essentially, these efforts failed because three EEC members—Ireland due to its neutrality, and Greece and Denmark due to their ambivalence about

the alliance of which they are members—decried they should fail.

"It is the accumulation of failures or half-failures by the EEC to work truly in concert in the realm of security that essentially prompted revival of WEU," says Mr Alfred Cahen, the ebullient Belgian secretary general of WEU.

Since 1984 WEU has stepped up its activities, creating working groups on such issues as Star Wars research policy, arms control, Mediterranean security and bringing (since 1985) defence ministers into its deliberations. This year could in fact be the crucial period for WEU to turn from caterpillar into butterfly.

Ministers of the Seven member countries have set themselves until the end of this year to decide precisely what future the revived WEU should have. If it has a future, and it certainly seems to, then issues must be resolved of money, organisation

(which is geographically split between Paris and London) and membership (which could be safely enlarged to take Spain and Portugal, but might be undermined if Greece and Turkey were to come in and bring their quarrels with them).

The other organisation undergoing political re-launch is the IEPG. Created in 1975 by the European members of NATO it was revived in 1984, largely by Mr Michael Heseltine, the then UK defence secretary, with strong Dutch support. Financial constraints, the prospect of future Japanese competition in defence, and worries about Europe lagging behind, were among the motives for closer arms collaboration.

In sharp contrast to the first decade of its existence in which IEPG nations were unable to agree on a single "staff target" and therefore on any specific programme, the IEPG has agreed on 10 staff targets in the past two years. The two most important concern medium range surface to air missiles and short range anti-armour weapons.

But if it is to act as the catalyst for the creation of a treaty European defence industry, then the IEPG has soon to translate some of these common European staff targets into common programmes. It probably also has to take a positive view of a new report commissioned by the IEPG and chaired by Mr Henk Vredeling, the former Dutch defence minister and EEC commissioner.

The importance of this report is that it goes beyond the usual scope of collaborative efforts which focus on particular weapons to argue that broader steps should be taken to try to create a common European market in military products, just as the EEC has sought to create in civil products. Governments can achieve this, the Vredeling report suggests, by the way they let defence contracts.

For instance, more collabora-

tive arms contracts should be let on the basis of fixed price competitive tenders by rival international consortia. It recommends that a central register of bidding opportunities be established to inform companies of tenders beyond their home base, and all 13 IEPG countries establish a register of their defence contractors, to help companies pick foreign partners.

This would fill the gap left in the Treaty of Rome which exempts armaments from EEC rules, and in particular from the requirement for Community-wide advertisement of major national public sector procurement contracts. Indeed, it is striking the degree to which the former Dutch commissioner to the EEC and his IEPG study team have tried to translate EEC internal market mechanisms to the defence field. By the same logic, Mr Heseltine recently opined that the IEPG should become part of the EEC Commission.

Officials of both WEU and IEPG are, however, mindful of their need not to alienate the US. Both organisations argue they are complementary to and in no way substitutes for what the US brings to the alliance through NATO.

Managing the transatlantic relationship is made no easier by the natural schizophrenia that the US feels towards European unity. On the one hand, it is all for it, on the grounds that a stronger Europe means a stronger west. On the other hand, US governments and companies tend to cry foul if and when their interests suffer.

The happy medium is hard to strike. One can only hope Henry Kissinger was right in arguing that "Europe analysing its security needs in a responsible manner would be bound to find association with the US essential."

David Buchan

### Profile/Lord Carrington

## 'Why we need an identity'

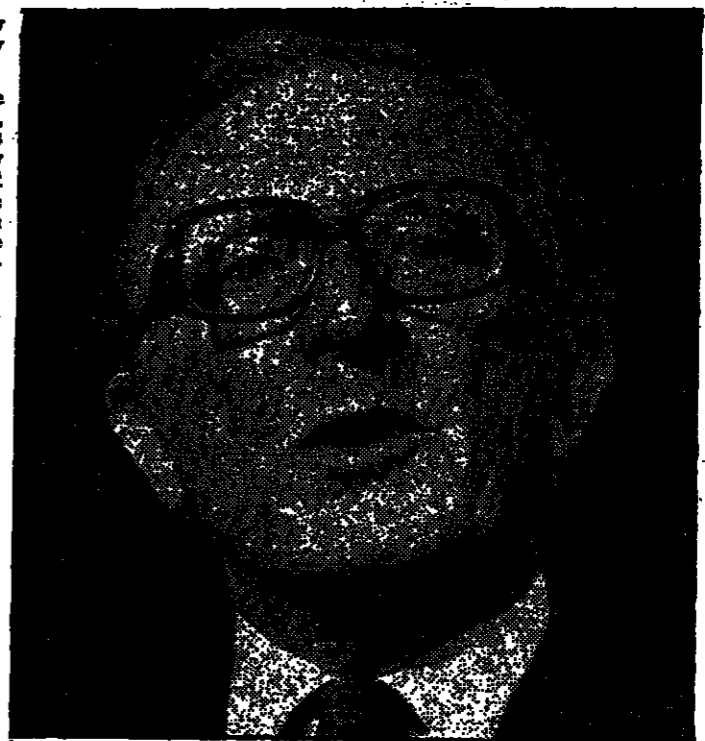
A EUROPEAN defence identity would help Europeans identify with defence.

That sounds like a prize tautology, but Lord Carrington, one of the canniest politicians to hold the job of Nato secretary general, believes the insight behind it. "If we could create some kind of a European identity, I believe it would be easier to get people to understand the need for defence."

He is impressed by the "cohesion and consensus" around French defence policy which he attributes largely to France having left Nato's integrated military structure. To the Frenchman in the street, defence is the defence of France, while too often for the rest of Nato is a contribution to some abstracted alliance which seems to have little to do with national survival.

But, ever conscious that as secretary general he must straddle both sides of the Atlantic, Lord Carrington stresses "the overriding fact that if we do anything to weaken the transatlantic link we do more harm than good." He has been in the Nato post since mid-1984, a period that has seen both transatlantic divergences over such issues as Star Wars research policy and greater European defence collaborative efforts in the organisations of Western European Union (WEU) and the Independent European Programme Group (IEPG).

However, the former British foreign secretary diplomatically points out the dangers of leading Americans "to suppose they are no longer needed in Europe" and the Europeans forming "a club within a club that could alter the whole processes of consultation within Nato."



Lord Carrington: straddling the Atlantic

It is, Lord Carrington emphasises, much more important to overcome US-European differences than to use those differences to create a European defence identity.

As the nucleus for a European defence identity, Lord Carrington believes that WEU, despite embracing only half of Nato's 14 European members, is the organisation with the fewest disadvantages, and two distinct advantages.

First, WEU allows foreign and defence ministers (both jobs which Lord Carrington has held) to sit down together, which can-

not be done in Nato because of France's self-exclusion from the alliance military structure. It would be even better if finance ministers were also to join in, Lord Carrington says.

Second, all European countries with major defence industries, Spain excepted, belong to WEU. Thus, it can give a needed political push to European arms collaboration and the work of the IEPG. This is an area about which Lord Carrington, as former chairman of GEC, the major UK defence contractor, is enthusiastic.

David Buchan

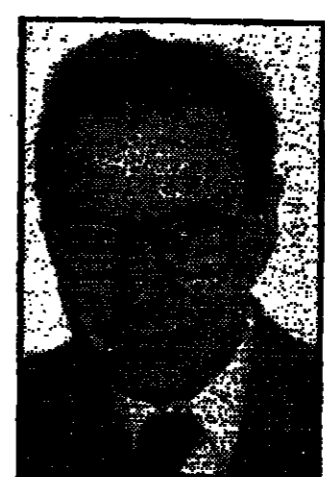
### Profile/Alfred Cahen

## Seeing WEU off the ground

SOMETIME THIS year, and maybe even at their Luxembourg meeting next month, ministers of the seven member countries of Western European Union (WEU) will pronounce on whether WEU, revived in 1984, is really a "cler" for the long haul.

If they do decide that WEU has at last got off the ground, then much of the credit will go to Mr Alfred Cahen, the energetic Belgian diplomat who in 1985 became WEU secretary general, a job at one time thought of as a sinecure.

Mr Cahen is open about the various motives for reviving WEU: differences of opinion with US over nuclear arms control, and uneasiness about the quality and stamina of leadership in Washington and anxieties about neutralist-nationalist tendencies in West Germany. He is equally clear that if the EEC, with its comprehensive membership, could tackle security, then he and the WEU would pack up. But it can't, so they won't.



Mr Cahen: open about motives

He is particularly enthusiastic that since 1984 defence ministers have been brought into WEU meetings, giving the proceedings a certain practicality and down to earth quality

that foreign ministers—so speaks Mr Cahen the career diplomat—were not known for.

For the future, WEU will have to do three things. First, it must work out some link with the IEPG (which deals with European arms collaboration) and with the EEC (which regularly discusses the political aspects of security in its political co-operation group).

Second, WEU must be better organised. Its three agencies are, like the WEU Assembly (the parliamentary wing), based in Paris and autonomous from the London-based secretariat.

WEU's Arms Control Agency, set up in 1984 to monitor rearmament restrictions on West Germany, now has only one person working for it since 1984, when most of those restrictions were abolished. Third, it must move ahead to enlarge its membership. Spain and Portugal want to join, but the original seven must first invite them.

David Buchan

Macro-economic policy

# Yesterday's virtues get the blame today

IF SOMEONE had told the European Community's founding fathers that 30 years later its members would be resigned to an unemployment rate of over 11 per cent, they would have dismissed the idea as absurd. On current prospects, however, the now 12 member states of the Community will accept a people for virtually the whole of the 1990s. In economic policy-making the confidence and optimism which fired the signatories of the Treaty of Rome has been replaced by an almost endemic sense of helplessness.

Economic growth rates of 5 per cent a year—seen as the norm in the era of post-war reconstruction—are no longer even aspired to by the Community's leaders.

West German policymakers become jittery if their economy looks like expanding by more than 2½ to 3 per cent. Britain's Government claims a major triumph for six years of steady growth even though well over 3m people are still condemned to enforced idleness.

The Community was the pro-

duct of an era in which governments were confident that they could enhance the welfare of and shape a better future for their citizens. The prevailing philosophy three decades later is one which blames that same interventionism for Europe's economic woes.

In the process relative values have changed dramatically. Success is not measured against the yardstick of the dynamic 1960s but against the inflationary chaos of the 1970s.

Sadly, even against those modest aspirations the immediate prospects are far from bright. The European Commission's latest forecasts point to a growth rate of only 2.3 per cent in 1987, down from 2.8 per cent last year. Only Britain's economy is expected to outperform 1986, with decelerating output growth looking virtually certain in both West Germany and France.

Unemployment, currently at 11.8 per cent of the working population is expected at best to stabilise.

The slowdown in West Germany, in particular, can in large part be blamed on the major

squeeze on exporters which has resulted from the continuing depreciation in the value of the dollar.

The Bonn Government, however, remains unwilling to compensate with action to stimulate domestic demand in its economy.

Last month the European Commission singled out three ways in which West Germany could improve the outlook: by bringing forward tax cuts planned for 1988, by encouraging further public investment, and by accelerating the tax reform package due in the 1990s.

So far the most that Bonn has offered is to increase the size of the 1988 tax-cutting package.

Community finance ministers tend to console themselves with the obvious success in the fight against inflation, with the annual pace of price rises now running at its lowest for more than 20 years. But the simplistic link that they assumed at the start of the 1980s between low inflation and faster growth has proved far from automatic.

As a result the focus of policy-making has switched to improving the supply-side of European economies. Broadly translated that means improving labour market flexibility by weakening the power of trade unions, encouraging small enterprises, and liberalising financial and other markets.

But even the most ardent proponents of the idea that Europe's economic salvation lies in micro rather than macro policies acknowledge that it will be a long haul. Privatisation, or the removal of restrictions on capital flows, may over time improve the productive capacity of the Community's economies but they have yet to have an impact on current output.

The current level of unemployment cannot be tolerated and, far from being inescapable, can be reduced through balanced action bearing simultaneously on supply and demand," the Commission says in its 1986-87 Annual Economic Report.

Its call to action is based on medium-term projections showing that the Community will still be faced with an unemployment rate of over 10 per cent in 1990.

The substantial gains to real income provided by last year's halving of the world oil price, should be accompanied by continued wage moderation and by



Stormy weather: and it won't be any simpler in the 1990s

significantly higher production and investment. In the meantime there are fears that the longstanding investment and technology gap between Europe and Japan and the US will widen further.

The European Commission, in its call for a co-operative growth strategy, puts the case eloquently for a new approach.

To achieve a significant reduction in the jobless total, the pace of growth in employment will have to be raised from the current 3½ per cent a year to between 4½ to 5½ per cent a year—provided policies were introduced to make this growth more employment-intensive.

The Commission is not shooting for the moon. It estimates that such employment gains could be achieved with an overall economic growth rate of between 3 to 3.5 per cent a year—provided policies were introduced to make this growth more employment-intensive.

The hoped-for acceleration in output would depend essentially on greater investment—both public and private. Since 1970 the Community's investment performance has been mediocre relative to its main industrial rivals.

Between 1970 and 1985 the volume of investment increased by only 14 per cent, against a rise of 74 per cent in Japan and 68 per cent in the US. In the last 18 months the investment rate has picked up, but the share of capital spending in gross domestic product is still around four percentage points lower than in the 1960s.

The Commission has stressed that efforts to increase demand, should be accompanied by continued wage moderation and by

additional measures to improve labour market flexibility, and the broad principles of its strategy have been endorsed by governments.

Unfortunately the clear implication that fiscal policy in the strongest economies should be used to stimulate demand has proved less palatable. The Bonn Government still views calls for it to loosen the fiscal reins as threatening a rerun of the late 1970s when it fell victim to the locomotive theory of international economics.

Britain has increased its public spending limits for the next two years, but the decision has more to do with internal political considerations than with any joint strategy. Even within higher overall spending totals, public investment is set to fall in real terms.

The conservative Government in France seems set more on retrenchment than on translating the country's remarkable success over the past few years in squeezing out inflation into concrete gains in output.

Other countries like Belgium and Italy still face huge public sector deficits and the Commission agrees that their first priority must remain to cut back on spending.

The net result, however, is that the co-operative growth strategy, with its modest ambition of an annual increase in output of 3 to 3.5 per cent, is gathering dust on the shelves of the Beryllium. That makes for a rather depressing 30th anniversary for the Community's economy.

Philip Stephens

## Trade and balance of member states

	Imports	Exports	Balance	Import cover*	Trade balance	Import cover*
Belgium/Luxembourg	22,877	20,359	-2,518	88.0	-3,698	95.0
Denmark	11,951	12,518	+567	104.7	-1,454	94.0
W. Germany	97,820	120,520	+22,700	123.5	+33,036	115.9
Greece	6,820	2,731	-4,089	40.0	-7,411	44.5
Spain	22,507	14,242	-8,265	63.3	-5,582	84.6
France	57,325	59,176	+1,851	103.2	-13,462	90.5
Ireland	3,635	4,081	+446	112.3	+454	103.4
Italy	62,811	52,535	-10,276	83.6	-15,973	86.5
Netherlands	39,735	22,377	-17,358	56.3	+3,939	104.4
Portugal	5,358	2,997	-2,361	50.3	-2,585	74.2
UK	75,058	67,250	-7,808	89.6	-11,865	91.7

\*Import cover = exports (fob) as a percentage of imports (cif).

Source: Eurostat

## Monetary policy

# A good idea that's led nowhere yet

THE DEGREE of monetary integration achieved so far by the European Monetary System doubtless falls well short of what the founders of the EMS believed was feasible in March 1979.

Eight years ago, it was hoped that the EMS would be merely the first phase in a process of monetary reform that would lead, ultimately, to the "crowning achievement" of a common European currency.

Optimists envisaged a greatly expanded role for the European Currency Unit (Ecu), both as a means of settlement and as a reserve asset, and hoped that a European Monetary Fund with real powers might be created within about two years of the EMS's inception. The idea was that the fund would be able to intervene directly in currency markets and manage liquidity by issuing Ecus.

In the event, the EMS has not yet led anywhere. Finance ministries and central banks jealously guard their powers, and have failed so far even to agree on long overdue technical reforms. The heated Germany and France, in the days preceding January's Deutsche Mark revaluation, have given fresh impetus to the talks over the rules governing "intramarginal intervention" support for weak currencies before they remain to be seen what action will be taken.

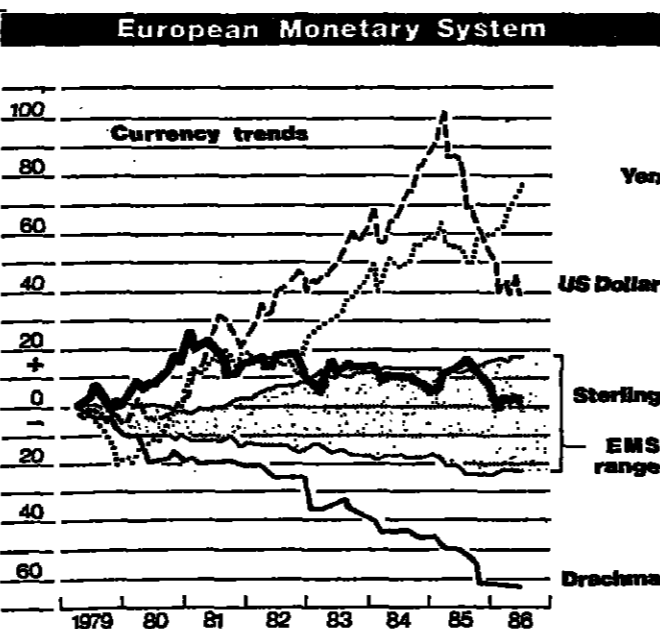
Certainly, it is hard to see the EMS evolving into a tighter monetary union in the near future. The founders of the system have every reason to be

disappointed with the lack of progress since 1979. Who would have guessed that, after eight years of dithering, the UK in 1987 would still not have joined the key exchange rate mechanism? Who would have guessed that Italy would still be taking advantage of "temporary" access to specially wide fluctuation margins around central parities (6 per cent, compared with 2½ per cent for other participants)?

The founders might also have been surprised by the frequency of realignments that have proved necessary. There were seven in the EMS's first four years, prompting fears that the system would degenerate into a crawling peg mechanism. The flow of capital out of the D-mark and into the US dollar between 1983 and 1985 temporarily eased strains within the EMS; but as the D-mark has appreciated strongly in the past 18 months, so the pressures have built up again, necessitating a further four realignments.

The frequency and size of the realignments have made possible large cumulative devaluations of the weaker member currencies against the D-mark—of the order of 40 per cent in some cases. Such flexibility was clearly necessary to allow the EMS to function at all. But it implies that the pressure for convergence of member countries' economic policies was not as intense as advocates of the EMS have sometimes claimed.

In the UK, EMS enthusiasts argue that full membership would impose strong disciplines on the economy. A glance at Italy's enormous public sector deficit, and still comparatively high inflation and interest rates, should be sufficient to instil some doubt. The disci-



Source: Commission of the European Communities

plines depend entirely on members' willingness to contemplate regular devaluations against the D-mark. It must be far from certain that the UK would be a "hard" currency member of the exchange rate mechanism like the Netherlands, rather than a relatively "soft" member like France.

The EMS has not obviated the requirement for regular exchange rate adjustments to reflect changing economic fundamentals in member countries. Where it has scored is in reducing significantly the short-run variability of member currencies: this is so whether the yardstick is the volatility of

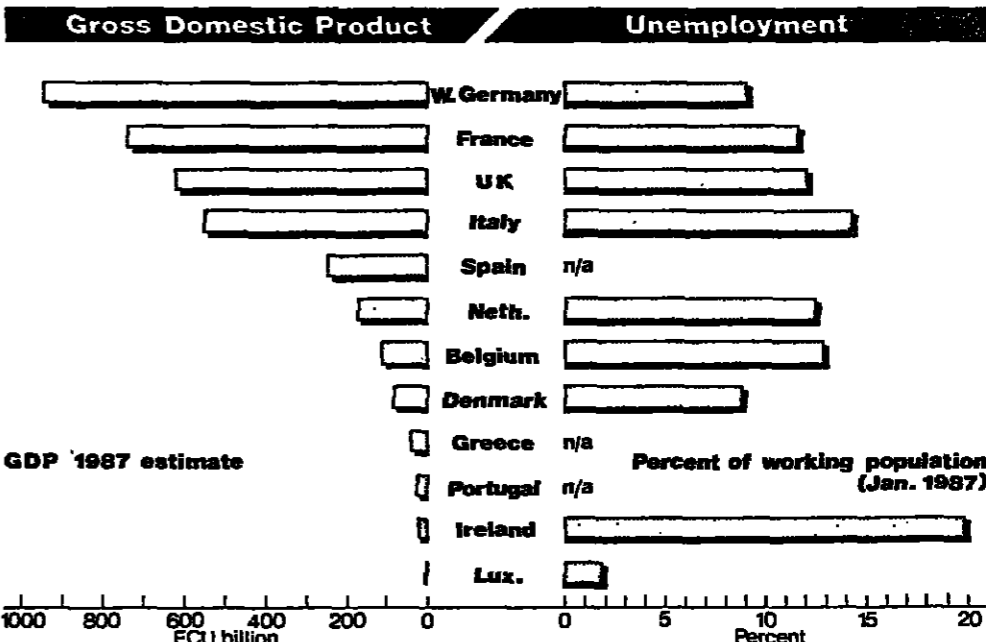
fully mobile capital flows would be the exchange rate mechanism.

The instability caused by greater capital mobility might be exacerbated by British full membership at the next general election. Could four economies as large and diverse as West Germany, France, the UK and Italy co-exist in a system as rigid as the EMS? It might be necessary to contemplate a loosening of the system, rather than a 1970s-style thrust towards fuller integration. It could be that a more flexible system of exchange rate target zones (as advocated by several leading international economists) would be appropriate for a group of countries that could no longer easily be classified as "D-Mark bloc."

One thing is certain: the pressure for freer capital movements is not going to diminish. The European Community has, therefore, to come up with an exchange rate system that can cope with mobility of goods, services and capital. The EMS, as presently constituted, may be sufficiently flexible, but the need for reforms that would have been regarded as regressive in the late 1970s cannot be ruled out.

Mobility of capital, however, is only the latest twist in a long-running debate about the best way to promote economic harmony in Europe. The main issue — which has not changed in 30 years — is how to persuade individual countries to cede economic sovereignty for the greater good of the Community as a whole. The squabbling which surrounds EMS realignments suggests that members are not yet ready for more serious steps towards integration.

Michael Prowse



## Profile/Karl-Otto Poehl

# A presidential tightrope

THE PRESIDENT of the West German Bundesbank since 1980, Mr Karl Otto Poehl shares, along with a long-time friendship, two important characteristics with Mr Paul Volcker, chairman of the US Federal Reserve Board.

The two men rank as probably the most experienced and authoritative voices on the international central bankers' circuit. They also have plenty of experience of being put on the defensive by periods of political and economic pressure.

With the Bundesbank's monetary policy a focus of controversy both at home and abroad, Mr Poehl, aged 57, is going through just such a period at the moment.

Mr Poehl, a veteran of monetary trouble-shooting from his days as state secretary at the Bonn finance ministry during the 1970s, is a highly proficient political performer as well as an expert currency technician.

He has needed both sets of qualities in good measure since he moved to the Bundesbank as vice-governor in 1977 before taking over at the helm seven years ago from Dr Otmar Emminger.

The next few months will certainly see further demands on his unusual blend of expertise. Mr Poehl's mandate at the Bundesbank comes up for renewal at the end of the year.

Drawn from the ranks of the opposition Social Democratic Party (SPD), Mr Poehl appears likely on balance to be asked to stay on by Helmut Kohl, the Chancellor. But the decision could be made more delicate by the question of how the Bundesbank chooses to adjust its monetary policies in the face of the weakening economy.

On the international front, Mr Poehl has been closely associated with the European Monetary System since its conception in 1978. He admits that he, like others at the Bundesbank, has doubts about the soundness and usefulness of the animal—and has been favourably surprised that it has stood up relatively well since it started operation in March 1979.

Mr Poehl's views on the EMS have been coloured partly by the use West Germany made of the system to stabilise the D-mark during a rare period of weakness of the German currency during the early 1980s. The period, which coincided with the beginning of Mr Poehl's Bundesbank presidency, has left a deep mark in the consciousness of the central bank and of the Bonn finance ministry. The trauma left by current account deficit, currency depreciation, and reserve losses, undoubtedly strengthened the hand of the monetary conservatives at the Bundesbank.

This camp is led by Dr Helmut Schlesinger, the vice-governor. Mr Schlesinger has placed his stamp on the "stability-first" policies followed by the central bank in recent years—which in turn have led to resurgence of familiar revaluation pressures on the D-mark.

Faced with the task of trying to play off the often competing wishes of the US Administration and of the policy-making Bundesbank council, Mr Poehl has had a difficult time during the last year or so of pressure over the falling dollar.

He failed in the months leading up to last year's autumn International Monetary Fund meeting to persuade the US Treasury of a deal under which the Bundesbank would cut its discount rate in return for a commitment for the US to defend the sliding dollar.

In a much more uncoordinated and messy way—following a D-mark EMS revaluation forced by massive speculation, amid signs of a flagging of German growth—the Bundesbank has now cut its discount rate. And, at the Paris monetary meeting in February, the US has delivered an undertaking the strength of which has still to be tested by the markets to prevent a further fall of the dollar.

Mr Poehl meanwhile is still facing pressure from critics at home who claim that Bundesbank monetary policy (depending on whether measured by money supply growth or real interest rates) is alternatively too lax or too strict.

The debate is one symptom of how the Bundesbank is becoming drawn into political squabbling from which it was previously aloof.

Mr Poehl, for all his public assuredness, is acutely sensitive about the way that the time-honoured consensus in Germany over the Bundesbank's monetary policy is in danger of being eroded. Although Mr Poehl's working relations with Mr Gerhard Stoltenberg, the Finance Minister, have been excellent, the Bundesbank Governor is also aware that, as a man from the ranks of the SPD, he is not totally invulnerable to the direction of the political wind in Bonn.

Mr Poehl is however enough of an old hand possibly to get some sneaking enjoyment out of the latest political ructions over the central bank.

As the date for renewal of his mandate nears, a prime comfort for the Bundesbank Governor is that the Government is not likely to be able to think of anyone better suited to defending—at home and abroad—the integrity of his adopted institution.

David Marsh



Mr Poehl: sneaking enjoyment from the latest ructions

The Common Agricultural Policy, once a cornerstone, is bursting apart under the pressure of its own in-built contradictions

## Still solvent, thanks to creative accounting

THE WARNINGS have been getting louder for years. But the premonitions have now turned into a fact which even diehard defenders of Europe's system of farm support would be hard-pressed to deny: the Common Agricultural Policy, though one of the cornerstones of the European Community, has now become the biggest potential engine of its destruction.

The costs of supporting farm prices and storing farm produce have grown to the point where they are persistently threatening to break the EEC budget. The inexorable rise in farm spending has defied all ministerial efforts to contain it—from the rather hesitant attempts to reshape agricultural policy by farm ministers to the much-heralded imposition of a "budgetary discipline" by finance ministers. Both last year and this, budgeted expenditure has looked set to exceed the available funds, and it has only been by a range of desperate surrogates and creative accounting practices that the European Commission has remained technically solvent.

Rising EEC production of almost everything, and growing subsidised exports, have become an increasingly disruptive force in world trade, with the US on the warpath against the European practices that it claims have robbed it of a significant part of its international market share.

Farm incomes, the maintenance of which has always been one of the CAP's principal theoretical aims, have come under increasing pressure in recent years, sparking serious signs of unrest in rural communities across Europe, and raising the political temperature surrounding agriculture.

In some countries, but by no means all, consumers have complained at the sight of EEC butter being sold off to the Soviet Union at one tenth the price it cost them in the shops. Consequently, a host of acrimonious disputes between member states about the future direction of policy have shaken the Community at the highest level. Indeed, the divergence of views about what the policy should look like in the future has seemed so great in the past year as to call into question the justification which is most often wheeled out in defence of the CAP: namely, the rather dubious assertion that it is the EEC's only fully-fledged common policy.

After all, even "common pricing"—one of the foundations of the CAP—has been turned into something of a farce by the web of green currency arrangements which allow individual member states to award price rises to their own farmers, despite a price cut agreed at EEC level. Talking about the CAP, farm ministers from the leading member states sometimes sound like they are describing a quite extraordinary range of government activities, from

agriculture to social security. The West Germans, for example, tend to emphasise its social effects in rural areas (and especially on small farmers); Britain, by contrast, dwells on the need to inject what it sees as economic sense into the policy—by cutting prices, and above all by not disadvantaging the larger more efficient farmers of which Britain has the biggest number.

The only thing that ministers appear to be able to agree on most of the time is that they are confronted with an intractable series of problems. For some time now, the result of this discord has been too little reform, too late. The Community, in its annual jousting match over farm prices, has tended to move at the pace of its slowest member and to bow to narrow national interests.

Ministers have shied away from the difficult but essential long-term questions about the future of European agriculture, and preferred to make piecemeal changes—only taking a more radical course when panicked into doing so by the threat of imminent EEC bankruptcy.

Milk is an obvious case in point. For years, the dairy sector has generated the biggest headaches for EEC policy makers, struggling to reconcile the needs of peasants with 10 cows in a barn and the interests of large-scale, highly-capitalised farmers with fertile land and the latest in fine-tuned breeding stock and machinery.

Dairying has been the biggest drain on the EEC budget, and surplus butter the most difficult food mountain of which to dispose on the world market.

Ministers tried countless soft options to deal with the problem—from paying farmers to slaughter their cows (only to find them building up their herds again afterwards) to forcing producers to share in the costs of surplus disposal (which only encouraged them to produce yet more to compensate for the reduced unit return).

In the end, though, as it became clear that the budget would tolerate no further delay, they bowed to the inevitable and agreed, in April 1984, to curb production directly by means of output quotas. When that failed because the quotas were fixed too high and ministers shamelessly injected loopholes into the rules, the panic returned and another round of reductions was pushed through last December.

We may not have heard the end of this story yet. Worse still, the story is only just beginning in cereals, where the surplus problem is predicted to become every bit as bad as in the dairy sector by the early 1990s unless something drastic is done.

Last year, in an ominous echo of the feeble early efforts to curb milk output, the Commission agreed to impose a "no responsibility levy" on grain growers—essentially a tax on

them—designed to contribute towards the cost of surplus disposal. Apparently quite unconscious of any irony, Mr Frans Andriessen, the farm commissioner, sang the levy's praises as an important step towards dealing with the problem.

The common thread through all these events is that the CAP is bursting apart under the pressure of its own in-built contradictions. Signatories to the Treaty of Rome are required to achieve a fair standard of living for farmers; to improve farm productivity; and to maintain secure supplies of food at reasonable prices to consumers. And the Community has in effect tried to accomplish all that by setting common prices for farm products.

It is hard to imagine a blunter economic instrument. Open-ended price support has meant big farmers getting richer and more highly-capitalised, and small farmers—contrary to the CAP's social aims—experiencing increasing difficulty in keeping up. It also sowed the seeds of all the CAP's present difficulties by encouraging the tremendous advances in technology which have caused such leaps in agricultural production in recent years.

Ministers have belatedly cut

prices in real terms over the past couple of years, but farmers have by and large been able to raise production by at least enough to compensate.

It has become increasingly clear that, so long as price cuts of a magnitude to achieve a significant reduction in output cannot be agreed, this policy actually leads up a blind alley. The scope for exporting farm produce on the world market—is now minimal; the market itself has shrunk, prices are so low as to make the cost of subsidising exports almost prohibitive, and in any case agricultural export subsidies are under intense fire

in the new round of multilateral trade talks.

So the Commission, and the individual member states, have been groping for new solutions. There is talk of pensioning off ageing farmers, of the voluntary or enforced idling of large areas of farmland, of production quotas on everything. None of the ideas has yet come sufficiently into focus to form the basis of a new common policy. And indeed, it seems unlikely—for the moment at least—whether any of them will. For the contradictions exposed at the heart of the CAP are contradictions between individual member states with very different farming systems and structures.

In all probability, the Community will have to come to terms with the prospect—viewed with horror only a couple of years ago of increasing "rationalisation" of farm support. The challenge for the Commission and the member states is to make sure that this does not turn into the sort of destabilising race to the bottom which the Community more fundamentally than any of the nations which have surrounded farm policy so far.

Andrew Gowers



Mr Mansholt: Plan II would diminish output

Profile/Sicco Mansholt, the Dutchman who planned CAP

## 'When technology was underrated'

AS THE ORIGINAL architect of the EEC's Common Agricultural Policy Mr Sicco Mansholt could be blamed for creating the mountainous surpluses of food stuffs that threaten to bankrupt the Community.

But the proud Dutchman, who was EEC Commissioner of Agriculture from 1968 until 1972, accepts no blame for the inexorable rise in overproduction and the costly storage of the excesses. He points the finger at two other causes: unforeseen technological advances that fuelled output and a council of ministers who rebuffed Commission attempts to curb farmers.

"The only blame I have is that I didn't resign when our proposals were rejected by the council," Mr Mansholt asserted during an interview at his 18th century thatched-roof farmhouse in the eastern province of Drenthe. "Especially the French, they were always saying no."

An elder statesman of agricultural policy, the 78-year-old Mr Mansholt himself farmed for eight years until 1945 and then became the Netherlands' postwar Minister of Agriculture, serving until 1958. Then he went to Brussels as one of the founding fathers of the EEC and eventually became vice-president of the Commission in 1970 and President for a brief period in 1972 and 1973, the only Dutchman to hold the top post.

He is a committed socialist who comes from a long line of progressive farmers. His grandfather made a name as a politician of the left who worked for agricultural reform while his grandmother was considered even more radical. Mr Mansholt's father, also a farmer, sent his son to study agriculture on the plantations of Indonesia, then a Dutch colony.

During World War Two Mr Mansholt raised grains and sugar beets on a large spread in the northeast polder, reclaimed land where he saved many Jews by hiding them in his haystacks. When the occupying Germans departed they broke the dykes and flooded most of the polder, destroying the Mansholt farm.

Mr Mansholt's vision of a Common Agricultural Policy was launched in June 1958 in Strada, Italy at a meeting of government and farm representatives from the six member states as outlined in the Treaty of Rome.

Under the Mansholt Plan there was to be one common agricultural market with a single price for each commodity and direct financial aid to farmers.

All agreed that the single European price had to be higher than the world market level to ensure farmers a decent living. The financial aid would include grants, cheap loans and subsidies aimed at helping farmers to expand and improve their business.

Using the Netherlands as a model, market organisations were established to set import levies and export subsidies for cereals, dairy products and fruits and vegetables. Meat, fish and other commodities followed.

"Then we started to have difficulties," he recalled while sitting with thick files generated from a tiny nook of an office.

"We underestimated technological developments. Production was growing about 2 per cent a year and consumption was stable." But overall demand really was rising, he finally admits, because exports were then climbing.

Nevertheless he resolutely denies that too generous agricultural prices, subsidised by consumers through dear food prices, goaded farmers into growing too much. "Investment is stimulated by stable prices and we had stable prices while world prices were volatile."

During the 70s the Commission finally realised that things were getting out of hand and tried to slow production. "But the council would not take the measures to halt the surpluses," he says.

A man who clearly enjoys political debate, Mr Mansholt

recently catapulted himself back into the limelight with Mansholt Plan II to shrink farm output through a mandatory set-aside system in which land is laid fallow. Scholarly articles, newspaper interviews, visits from US agricultural experts and telephone calls from Brussels appear to be a welcome change from the quiet retirement of recent years.

"Not growing (crops and animals) is the cheapest way of compensating farmers," he argues enthusiastically based on reams of intricate calculations and statistical charts. "It's a preventive method."

Under Mansholt II farmers would be required to set aside 10 per cent of their land in exchange for compensation of Ecu 700 (£488) per hectare a year, topped off by member states if they wished. The obligatory set aside could rise to 20 per cent by the 1990s.

The scheme would apply only to the Community's 2m big farmers, who account for 80 per cent of production, and exempt the remaining 3m small farmers.

Production quotas for milk and sugar would continue but eventually be trimmed. Price supports such as intervention levels, target levels and premiums would continue.

Smaller farmers, many of whom are part-time, would be encouraged to quit the business through early retirement plans or cut production to 80 per cent of previous output through financial incentives.

Mr Mansholt reckons it would cost Ecu 4.5bn a year to pay farmers for pulling land out of use, although this does not include payments to small farmers for growing less. The Ecu 4.5bn would be only half of the Ecu 8.5bn he figures is now spent on export restitution—the difference between higher European prices paid to farmers and lower world prices at which products are sold.

Although the Commission has strong reservations officials in Brussels are known to be studying the whole question of set asides, which was put forward by Britain last year as one solution to the problem of cereals surpluses. An early retirement scheme was recently proposed by the Commission but thrown out of a package of "structural" measures at this month's meeting of farm ministers.

Mr Mansholt admits that his plan has weaknesses. When forced to leave land fallow, farmers will naturally choose the poorest land which yields less anyway. They also might try to raise just as much on less land through more intensive techniques if the Ecu 700 compensation is considered too little to offset lost income.

A man of strong convictions, Mr Mansholt adamantly opposes current agricultural policies aimed at cutting prices paid to farmers, bringing down European prices closer to world levels and paring the Government's role.

"You can't reduce prices because it's politically impossible," he declared. "Farm income is relatively low... and social well-being can't be reduced anymore."

It's too difficult to decide what a reasonable amount of compensation is for lost income resulting from lower prices, he believes. Besides, he adds, cheaper commodity prices would only lead to bigger gluts because marginal farmers would be forced out of business and more productive ones would take over and grow more. "This is what is happening in the US," he asserts.

A free market in agriculture is completely out of the question, he says. "Prices would be low, and no country can live without a farm population. You must have farmers to look after the land, provide food and form part of society."

Laura Rann



Agriculture does have its simpler patterns

Profile/Sir Henry Plumb, President of the European Parliament

## A shrewd negotiator with a single tongue



Sir Henry: "I see room for improvement"

HENRY PLUMB is in many ways a rather unlikely Englishman to have become the first British President of the directly-elected European Parliament.

A hard-headed former farmer's leader from the nation generally regarded as having the least agricultural vociferation in the EEC, he has risen to the top at a time when the Common Agricultural Policy is in eclipse. In the Parliament in particular, the once dominant farming lobby is now in a clear minority.

He is also a monoglot, speaking only English in an organisation which sometimes resembles a 20th century Tower of Babel. And he is a British Conservative, and therefore identified in the minds of many MEPs with Mrs Margaret Thatcher, the British Prime Minister and the bane of true Euro-believers.

But behind the benign and bluff exterior of an English country squire, he hides a shrewd negotiating mind, and a surprising personal commitment to the European cause. On more than a few occasions, he has spoken out in criticism of British Government policy, and distanced his group from the Government at home.

Probably because of, rather than in spite of those apparent contradictions, he was the one British Conservative MEP thought able to command majority support from the assorted Christian Democrats, Gaullists, Liberals and others making up the centre-right bloc in the Parliament.

"Better to speak sense in one language than nonsense in several," is his motto. "I was born an Englishman and will die a European," is another resounding quote.

The award of a life peerage in the latest honours from Buckingham Palace has left his Continental colleagues somewhat confused, as they are by so many manifestations of British attempts at Europeanism. What most British observers regard as an honour not just for Sir Henry Plumb, but also a belated recognition of the role of the European Parliament, is seen in Strasbourg by others as a curious anachronism, essentially undemocratic, and possibly distracting their president by making him simultaneously the member of another legislative assembly.

Sir Henry has no such doubts, and a firm belief in the importance of his job in Brussels, Strasbourg and Luxembourg (the three poles of parliamentary work) at a key time in the development of the institution.

"It is the most exciting time to take over since the directly-elected parliament came into being," he says. The reason is the imminent coming into force of the Single European Act—the package of reforms to the Treaty of Rome, the Community's constitution, which not only seeks to streamline the decision-making of the 12 member states but also to give the Parliament significantly greater influence in the process.

"I'm not a great administrator," he says. "I see the job as one of action. I am going to enjoy it. I will be there representing the Parliament with the Council (of Ministers) and the Commission in decision-making."

"Hopefully it will make the Parliament more responsible. I must try and bring about

improvements internally—and there is a lot of room for improvement."

The Single Act will institute a system giving the Parliament two opportunities to influence Community legislation, and making it more difficult (although still not impossible) for the Council to ignore its opinions.

"We have to change. If we take so much time in voting, then we are not going to be as involved as we should be in decision-making," Sir Henry believes. "We must make the committees more responsible for their reports, and restrict the number of amendments put in the full plenary session."

With any luck, such a system might also prevent the Parliament, an ideologically unwieldy assembly representing the full fragmented spectrum of political opinion and national divisions, from reaching so many incoherent and self-contradictory conclusions.

Like most British supporters of the Community, Sir Henry puts completion of a genuine Common Market top of his list of priorities. "Being a committed European, I want to see the thing work," he says. "I look forward to having these barriers removed by 1992."

He has more mixed feelings about the Common Agricultural Policy which he once defended enthusiastically as president of the National Farmers' Union from 1970 to 1979, and as past president of the European Farmers' Federation (Copa).

"I was a great booster of the CAP," he admits. "In the early 1960s I saw the growing pressure of food imports into Britain, when I felt we could be growing more ourselves. I felt it would

be good for the economy, good for the balance of payments, and not bad for the consumer if we could grow more at home. I used to think we were the dumping ground for the world."

That made him an enthusiastic advocate of bringing Britain within the CAP. But he never believed expansion of British agriculture could continue indefinitely. Now he admits that he underestimated the effect of improving technology and knowhow in boosting farm production up to and beyond the level of available demand.

He agrees that the CAP, having once been the one common policy of the Community, could now be the cause of pulling the Community apart if its budgetary costs are not brought under control.

The answer, he believes, is in promoting a coherent land use policy throughout the Community, which will still provide farmers with an income as they cut back surplus production. Prices for commodities in excess supply would have to come down, at least for the surplus.

That debate is one over which he will be presiding, rather than participating in it, over the next two years and a bit of his mandate. Then he has every intention of getting back into the cut-and-thrust, not retiring gracefully onto the back benches of the House of Lords.

In the meantime, his will be a very visible role on both sides of the Channel: persuading British electors that the Parliament in Strasbourg is a meaningful institution, and persuading sceptical non-British MEPs that their suspicion of UK commitment to Europe is ever less justified.

Quentin Peel

The Community budget

# Where the real choices will be made

"WHY, OH WHY," the Southern Ambassador bemoaned, "must we always be arguing about the budget? Why can't we discuss the future of the Community, for once?"

"Because," the Northern Commissioner replied, "it is the future of the Community."

That cryptic exchange, overheard on the 14th floor of the Charlemagne building in Brussels, in the wings of yet another EEC budget crisis meeting, sums up both the actuality and frustration of the Community debate, 30 years after it was launched.

To be sure, the budget represents only a modest proportion of Community interests. At some Ecu 80bn (£26bn) in the current year, it still amounts to barely 1 per cent of Community economic activity. And if completing the Common Market, pursuing a common trade policy, or moving towards economic and monetary union, are major ambitions, they are scarcely reflected in budget spending lines at all.

Nonetheless, the budget has become the main arena for the real policy debate about the future direction of the Community. The choice of, and prospects for, any new policies in fields such as research and development, job creation and training, regional infrastructure and the like, are totally dependent on the provision of new resources.

The question is: What sort of Community do we want? A glorified free-trade area with common industrial standards and a single customs front? Or a more integrated economic area, with a large degree of policy coordination, backed up by a substantial central authority seeking to balance the budget and the effects of a common market with an active regional investment strategy?

That is a debate which brings both national interests and political ideology into shifting alliance between the 12 member states. Cohesion is the buzzword for spending more on social and regional policies, for active research-funding programmes. Solidarity is what the French call it. The poorer member states — in the Mediterranean south, and Ireland, too — regard it as a precondition for opening up the internal market. In the meantime, net contributors to the EEC budget — West Germany, Britain and now, increasingly, France — remain very sceptical.

They fear it is an excuse to keep trade barriers in place. As soon as the debate is about money, however, it gains two further complications. The first is the inexorable appetite of the Common Agricultural Policy (CAP) to swallow up 70 per cent of all the cash available. The second is the apparent inequity of budget distribution between the member states, alias the "British problem." On each issue, the national line-up differs.

Add to all of that the common theme of public expenditure control, drastic reduction of budget deficits and consequent austerity programmes being implemented in virtually all 12 of the member states. Who wants to give more to Brussels? The budget debate has all the ingredients needed for an eternal soap opera without a happy ending.

It is into that steamy plot that Mr Jacques Delors, the president of the European Commission, has tossed his latest plans for sweeping reform of the Common Agricultural Policy, of the structural funds (social and regional spending), and of the future financing of the whole shooting match. He desperately wants to get away from annual budget crises, to get a long-term financing system with some stability to allow for long-term planning, and to persuade unwilling treasuries to pay up the extra cash he needs to

embark on new policies. He will be very lucky if he gets it. It was all right in the 1970s, when booming economic growth and the apparently bottomless purse of the Finance Ministry in Bonn meant there was no constraint on spending. But those were also the days before the CAP moved EEC agriculture into such chronic and costly surplus, requiring huge storage payments for unsaleable food stocks, when massive export subsidies proved inadequate to conquer third-country markets.

The 1970s brought something called "own resources," the oil crisis — and British membership.

Giving the Community its "own resources," instead of simply approving the necessary contributions from national treasuries each year, was more a theological decision than anything else. The Six decided that, in future, customs duties and agricultural levies would automatically be paid over to Brussels, together with a proportion of value added tax receipts. Except that, pending the introduction of a common VAT base, they had to agree simply to deduct a set proportion of the value of retail sales of a common basket of goods and services — which remains for all the debate that Mr Delors has relaunched in 1987. The Fontainebleau agreement of 1984, which provided for a reduction in British budget contributions of two-thirds of the difference between the country's share of spending and share of VAT contributions, did not tackle any of the underlying issues. It simply bought a little more time. But it did institute a system which the other member states are going to find it well-nigh impossible to undo.

The British budget rebate, now running at some Ecu 1.5bn a year (out of a net contribution approaching Ecu 3bn) has meant that an increase in VAT payments to Brussels from 1.0 to 1.4 per cent has been exhausted almost as soon as it was instituted.

The other, and more fundamental, reason for running out of money again so soon is that, for years, all the institutions involved in the Community — the Commission, Council of Ministers and European Parliament — have been engaged in an elaborate exercise to cook the books. Because they kept bumping

against the ceiling on "own resources," they had to find other ways of living within their means, and they did it by "creative accounting."

One major fiddle had been the refusal to write down the value of agricultural stocks from the inflated initial purchase price to a realistic market value: in 1982, the Commission now admits that already food in storage on the books at Ecu 4bn was worth only Ecu 2.2bn. By 1987, the book value had risen to Ecu 12.3bn, thanks to the surge in cereals, butter, beef and milk powder — but the market value was only Ecu 4.2bn.

The 12 budget ministers have periodically resorted to other devices to present a spurious annual balance: the "balance required by EEC financial regulations" carrying forward budgetary deficits to be covered eventually by ad hoc payments, providing "reimbursable advances" (borrowing is not allowed), and most recently inventing "negative reserves" to postpone inevitable cuts to the last possible moment.

It is a slightly more debatable aspect of the unfancied burden of spending — the so-called "burden of the past" or the "pile under the carpet" — as it is known in the trade — is the build-up of long-term commitments uncovered by current payments. The Court of Auditors, which has been warning against these practices for years, put the overhang at more than Ecu 11bn by 1985, mainly for schemes in the social and regional funds. But defenders of the system say that such a build-up is inevitable in a growing budget — although they admit that it may have become excessive.

Mr Delors presented his whole package for financial reform against this background: the member states' contributions have been effectively exhausted for years, and, anyway, customs duties and retail sales have proved to be a stagnating tax base failing to keep up with overall economic growth. Meanwhile, the member states have promised in their Single European Act — the reforms agreed to the Treaty of Rome — to embark on new policies: a greater commitment to co-operation in research and development, transport, the environment; but, above all, regional assistance to the poorer member states under the

advent of the oil crisis speaks for itself: everyone's economic growth ground to a halt. The entry of the UK in 1973, along with Ireland and Denmark, was another matter. Instead of bringing into the Community a nice big food importing market to absorb the subsidised production of the CAP, it brought in a small number of dedicated and efficient farmers who responded to the high prices by redoubling their production — and pushing the whole system into surplus.

On the other hand, although British farmers were singularly successful in exploiting the CAP, the policy was identified by the rest of the country as the source of a major inequity: it made Britain the second largest net contributor to Brussels, after West Germany, although in terms of real prosperity she ranked well down the list, after the Benelux countries, Denmark and France. Bonn might have been prepared to ignore its net contribution in the 1960s, but Westminster was not in the 1970s.

The battle for a renegotiation of the British terms of entry — first by Labour governments, and then by Mrs Thatcher in her famous phrase, "I want our money back" — set the scene for the debate that Mr Delors has relaunched in 1987. The Fontainebleau agreement of 1984, which provided for a reduction in British budget contributions of two-thirds of the difference between the country's share of spending and share of VAT contributions, did not tackle any of the underlying issues. It simply bought a little more time. But it did institute a system which the other member states are going to find it well-nigh impossible to undo.



A brave presence. But who wants to send more money?

Old industries, new attitudes... Six writers consider the implications for manufacturers of being European. First, steel:

## Crises survived through intervention

THE IRON and steel industry holds a unique position among the manufacturing industries of the Community. The coal and steel treaty, signed in Paris on April 18 1951, given the European authorities wide powers to intervene in the industry's affairs and to influence the steel market.

At that time, coal and steel were the twin powerhouses of the European economy, but in the past 10 years intervention by Brussels has been required to tackle the deep malaise in the EEC steel industry.

At its peak in 1974, Community steel production reached 150m tonnes, but thereafter it dropped sharply, and in the past five years it has stagnated at between 110 and 120m tonnes (excluding new-member countries Spain and Portugal).

The collapse in the markets that provoked this downturn in

output was dramatic: consumption fell by one-fifth; steel prices between 1974 and 1977 slid by an average of 45 per cent; and the EEC's exports to the international market began to be eaten away by new lower-cost steelworks in countries like Brazil, Taiwan and South Korea.

The scale of these problems provoked a crisis in the EEC steel industry of unheard-of proportions, and opened the way for the Commission to invoke the powers allotted to it by the Treaty of Paris.

In October 1980 the then Commissioner for Industry, Belgium's Vicomte Etienne Davignon, took the unprecedented step of declaring that a state of "manifest crisis" existed in the industry. Under Article 50 of the ECSC Treaty, this empowers the Commission to regulate the market through production and

delivery quotas, minimum prices and import controls. Davignon availed himself of these powers to the full, with the objective of mitigating the effects of the crisis in the market, in order to allow the industry time to undertake a massive restructuring programme.

When the crisis struck, the industry was preparing to build up its production capacity to more than 200m tonnes a year. It took some while before there was a widespread realisation that this was a pipedream. By 1983, the Community's steelworkers were operating at only 57 per cent of capacity; they were heavily indebted, and were reeling under huge losses. Many had to be bailed out by their governments.

Davignon's restructuring plan aimed to reduce capacity by eliminating inefficient works and bring the industry to a position

in which it could operate closer to a breakeven level of 80-85 per cent of capacity, even in a depressed market. The Commission persuaded the Council of Ministers to agree to close a large slice of the excess capacity and to adopt a timetable for phasing out state subsidies to steelworks, something which had seriously disrupted the market.

By the end of 1985, capacity had been reduced by more than 50m tonnes from its 1980 level, and state subsidies had been banned.

But this was not the end of the problem. Many steel companies were still making losses, and worsening market prospects meant even the slimmed-down industry still had capacity to make more steel than would be required under the most optimistic forecasts of demand.

The arrival of a new industry

commissioner, Karl-Heinz Narjes, brought a new approach. By nature, less of an interventionist than Davignon, Narjes determined to give the industry the short sharp shock treatment. He began a programme of gradually lifting the restrictions on free trading, with the idea that open markets would quickly show which of the remaining steelworks were efficient and which were not; and the ban on state subsidies would ensure the death by natural selection of the inefficient.

Narjes's plans, gathered pace during 1986, were received coolly by most steel companies. Several of the biggest had at last returned to profitable operation, largely thanks to the quota system, and they feared a return to the red if deregulation were pushed through.

The big steelmakers' club, Eurofer, therefore offered an alternative: the mills themselves would draw up a plan to reduce the remaining excess capacity, on condition that protection in the form of quotas and import restrictions stayed in place until 1990.

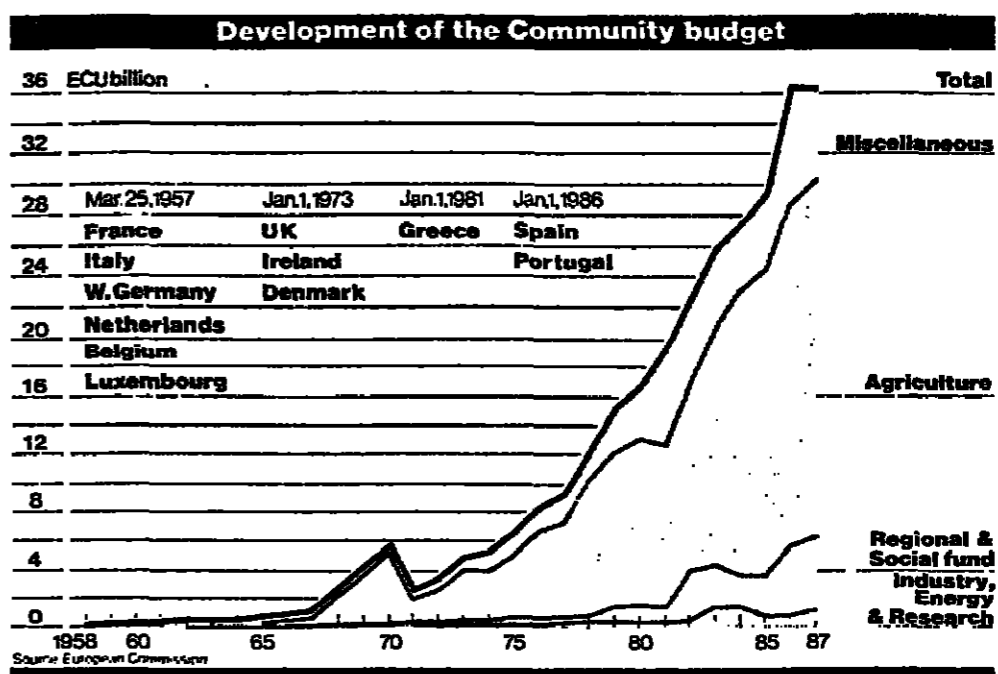
Details of this scheme have yet to be finalised, but it appears that Eurofer may be able to eliminate around 15m tonnes of over-capacity. Narjes says the plan is insufficient to restore the industry to health, but it would still reduce the scale of the remaining problem.

Without intervention by Brussels, it is doubtful whether the Community steel industry would have survived the crisis of the past 10 years in anything like its present form. Comparison with the US steel industry, which has been without any intervention since the 1930s, shows what might have happened in Europe: in the US all major companies have made huge losses and two in bankruptcy proceedings, while excess capacity remains.

The steel crisis could also have split the Community between the free-trading Germans and Dutch and their allies, and the more dirigiste French and Italians. The Davignon Plan was credited with saving not only the European iron and steel industry but also the Community itself from serious divisions.

Thus to Brussels' ministrations, the industry is now out of intensive care unit, but plenty more arguing has still to take place about the schedule for its recuperation and eventual return to the outside world. It does not yet feel ready to face the rigours of the free market without its crutches.

Henry Cooke



European regional development fund aid			
	Projects	Programmes	
	Number of projects	Millions of ECU	Millions of ECU
Belgium	498	114.38	0.97
Denmark	831	131.75	—
West Germany	2,315	544.78	0.90
Greece	1,028	1,093.51	6.73
France	4,186	1,683.60	38.38
Ireland	938	712.87	11.72
Italy	9,529	4,352.83	38.85
Luxembourg	26	11.96	—
Netherlands	93	156.16	0.23
UK	6,429	2,735.62	42.36
EEC	25,873	11,537.46	140.14

Source: Commission of the European Communities, DG XII.

title of "cohesion."

"We sometimes overestimate the importance of the budget," admits Mr Henning Christophersen, former Danish finance minister and now the Budget Commissioner whose ideas form the key to the proposals. "The most important element in the Community is still the creation of the internal market. But what we are doing on research, on transport, is because they fit into the concept of an internal market. So does the CAP."

His key proposal is to include a new element in member states' budget contributions, directly linked to their gross national products. The idea is to create a more equitable base, with the rich paying more and the poor paying less. The most obvious result is that it does

reduce the UK net contribution, albeit only modestly, and increases that of Italy, where the difference between the VAT base and GNP base has always appeared abnormally wide. The GNP should also make the Community own-resources base more buoyant and more predictable.

Three things are likely to get the debate bogged down: the aim to boost the social and regional funds by doubling them over five years; the overall increase in member states' contributions requested — raising the present 1.4 per cent VAT ceiling to a 1.4 per cent GNP ceiling which is equivalent of about 2.1 per cent VAT; and the proposals for a continued British rebate, but this time focused exclusively on the gap between the UK share in CAP spending,

and its share in Community GNP.

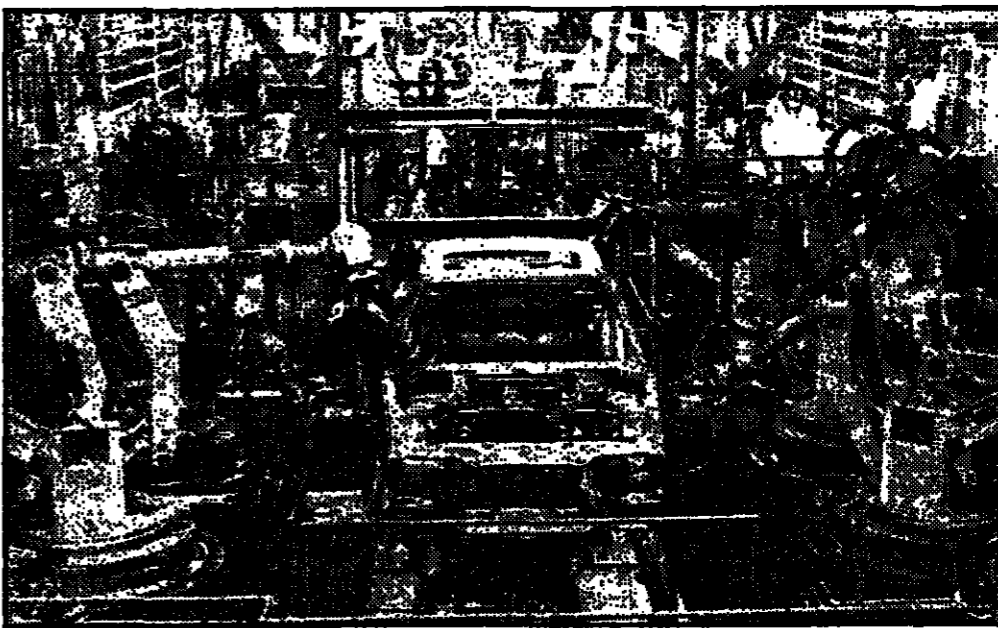
The southern states, and Ireland, are determined to get substantial commitment to boosting the social and regional funds. The UK attitude is that any promise to increase funds before the CAP is brought under control is a recipe for budgetary disaster. As for the rebate formula, on the face of it, it will not be as generous as the present system.

Initial French reaction has been a knee-jerk refusal to contemplate any drastic cuts in CAP spending, compounded by doubts about the benefit of such a large commitment to "cohesion."

The greatest concern in Brussels, however, focuses on the attitude of West Germany, where the government's EEC policy has recently suffered from chronic incoherence. On the one hand, Bonn has caught the British disease, declaring in effect, "Not a penny more." On the other, West Germany is now the most conservative defender of the CAP and its whole-price structure. The logic of German farm policy is that CAP spending could almost certainly continue to swell, leaving ever less for any other policies.

Until there is some coherence in that West German position, it is hard to see how there can be any resolution to the new budget debate. In the meantime, the only alternative will be continuing, and ever more alarming, cooking of the books to pretend that the financial crisis can be postponed.

Quentin Peel



West Germany's clean cars still face a "health" problem.

### Motors

## In need of a single market

ANYONE WHO lives in Britain every day sees one of the many non-tariff barriers that help fragment what should be a common market for vehicles in the European Community.

The British drive on the left. To sell well in the UK, vehicles need to have their steering wheels on the right and to have the gearstick arranged to fall neatly into the palm of the left hand.

Even if the Community achieves its objectives of harmonising technical standards for vehicles, there is nothing it can do formally about the British driving habit, because it pre-dates the Treaty of Rome by nearly 200 years.

There are many other examples of vehicle regulations and type-approval (safety tests) mechanisms, which vary considerably from one Community country to another. Vehicle design has to take all these into account, and the cost of the resulting complexity on the production line is enormous.

During the recent debate at the European Parliament about the motor industry, Mr Peter Beazley, who produced a report for the EMF's to study, said: "There has been little or no progress in completing the internal market for automobiles. Measures taken so far have been isolated, and there are few signs that an overall community strategy is being developed."

The European automotive industry already represents a major force for the design and development of new product and manufacturing technologies and, thereby, plays a very significant role in Europe's economy.

It contributes some 5 per cent to the Community's gross

domestic product and provides direct employment to some 7 per cent of the Community's industrial labour force.

But the industry believes it could do better if there really was one common market.

The industry has been pressing the Commission to push for change where government measures have the effect of restraining or distorting demand for vehicles, or which distort competition in the Community.

It points in particular to price controls in Belgium and Luxembourg, excessively high taxes on cars (about 200 per cent of the landed price) in Denmark and Greece; and the 10 per cent special car tax in Britain, which has no equivalent in any other Community country.

Governments also cause distortion in the industry by backing their "national motor industry champions," often with large amounts of state aid. This can take many forms, of a direct and indirect nature.

The European Parliament took this point on board and suggested that any aid should be of specific, agreed duration and not open-ended, and that it should contribute to precise Community objectives. State aid to the motor industry should be made more transparent and the Commission should take strong action to prevent abuses, it suggested.

Nothing shows more clearly how distortions can be caused by governments taking short-term political action to protect themselves in their domestic bases than the tangled mass over car pollution controls.

Forced by pressure from the "Greens," whose political popularity was growing steadily, the West German Gov-

ernment led a determined campaign to get Community agreement on car emissions.

A compromise solution was supposed to have been reached two years ago, but the wrangling continues. Denmark says the suggested standards are not severe enough. Greece wants Community aid to help clean up the damage done by pollution to the classical buildings in Athens before it will agree. West Germany has gone ahead on its own by offering financial incentives to buyers of "clean" cars.

The result: more distortion. For example, BMW says that 85 per cent of the new 7-series cars it sells in its domestic, West German, market have catalytic converters to cut unhealthy exhaust emissions. The remaining 5 per cent are cars sold to customers on the border with France. Cars with catalytic converters are more expensive, but this is very difficult to find anywhere in France.

With the lessons of the emissions debacle still fresh in mind, the view generally held by senior executives is that there is not the slightest chance of harmonising all motor industry standards by the agreed date of 1992.

The European Parliament pointed out, however, that the long-term objectives should be to move away from the current position, where there are a number of national automobile markets, to a European community automobile market which is more truly integrated.

"Only then will the European automobile industry as a whole be more fully competitive at world level."

Kenneth Gooding



Steel could so easily have caused a split in the Community.

## THE EEC 30 YEARS ON 10



Employment in shipbuilding has dropped by more than a half in 10 years

## Shipbuilding

## Subsidies will not save jobs

SOMEWHERE WITHIN the ailing and still-overweight European shipbuilding sector, a leaner and more dynamic industry is struggling to get out.

That, at least, is the earnest hope of EEC politicians, industrial experts and yard managers, who have long given up hope that ship construction can return to anywhere like the healthy and profitable levels of the early 1970s.

In those days, the tanker boom provided plenty of work for the established European and the expanded Japanese yards. Then came the oil crisis, a blow from which the large tanker industry has not yet really recovered. Other sectors, such as dry cargo ships, which enjoyed a brief building boom in the early 1980s, were hit later. The rapid expansion of South Korea's huge and low-cost yards, as the industry in much of the rest of the world moved into crisis, added a vicious twist to the market.

Against such a dismal background, EEC policymakers have faced a tough dilemma. How much, if any, of the European

industry should they seek to preserve, at what cost, and in what form?

The conventional wisdom is that high-technology ships provide the best chance for the EEC industry's future, rather than the big tankers and container ships that the Far East, with China moving up fast behind its Asian rivals, can build so much quicker and more cheaply. Thus European yards have been concentrating more on sophisticated offshore support vessels, gas ships, ferries and cruise liners, flexible cargo carriers with their own handling gear, and anything else which is not easily standardised.

But Asian yards, especially in Japan, are well capable of building such ships or a significant proportion of them, and the Koreans have been accelerating up the technology scale. Still, the worldwide shipbuilding over-capacity of 30 per cent or more—crisis-hit shipowners have been ordering less at a time of acute surplus—the dominant Japanese are cutting capacity further and even the Koreans, number two in the in-

dustry, have stopped growing.

The unhealthy state of the EEC industry, where employment and capacity have roughly halved in the enlarged Community since 1975, has prompted a lengthy and complicated discussion over subsidies, without which yards could not survive at all.

The result, late last year, was an agreement by industry ministers in Brussels to limit direct subsidies to 20 per cent of cost on large contracts and 20 per cent on smaller deals. This was less than the British or Italians had wanted, but more than West Germany, Denmark and the Netherlands had previously been prepared to accept.

Under the previous rules, member countries had been providing different levels of subsidy, with the UK giving just over 20 per cent, Germany 4 per cent (though yards benefit from regional help and aid to shipowners ordering domestically), and Italy and France 23 per cent. The subsidies are intended to enable EEC yards to meet the sizeable cost gap with the Far East. This is bigger for

standardised vessels than for specialised ones with a higher skill and work content.

The EEC also wants to keep a closer eye on the various direct and more hidden ways in which countries make funds available to their yards. It hopes to achieve such transparency by monitoring subsidies and their effects.

But whatever the levels of subsidy, the industry is not expecting much help from the market. More job cuts will clearly be necessary—in the whole of western Europe, employment in the industry has dropped by well over half to around 120,000 in the past 10 years—and financial support will remain vital. Since yards are often in areas of high unemployment, such as England's North-east or the North German coasts, decisions about who survives have to be balanced against the social consequences.

But governments are becoming tired of propping up sickly yards at high cost, with no end to the industry's losses in sight.

Andrew Fisher

## Textiles

## Shaping up to the Far East

THE TEXTILE industry has a prominent place in the history of the efforts made to secure Europe-wide rationalisation in older sectors. It was probably the first to attempt some form of pan-European agreement and it was also probably the first to succeed.

By the middle 1970s it was clear there was a lot of over-capacity within Europe, with the major countries, the UK, France, Italy and West Germany all possessing large scale integrated fibre, textile, and clothing industries. Oil price increases after 1974 had led to falling demand at a time when Far Eastern producers were becoming important on the international market.

The need, identified by major fibre groups in all these countries, was to concentrate on high-value-added speciality fibres and leave production of run-the-mill fibres to the Far East, where new capital formation allied to low wage rates gave definite commercial advantages.

The problem was how to get an agreement within Europe that would satisfy both the European Commission in Brussels and the American anti-trust laws. The Commission, geared towards a policy of open competition, definitely frowned on cartels getting together to carve up the market, and Washington was watching the US companies operating in Europe, such as Du Pont and Monsanto, very closely to ensure its tight policies were not being evaded.

By the late 1970s the major European producers—André Montefibre, and Sola Fibre in Italy; Hoechst and Bayer in West Germany; ICI Fibres and Courtaulds in the UK; Fabeila in Belgium; and Enka, the West German production arm of the Dutch group Akzo—had got together under the aegis of CIEFS in Paris (French initials for the European man-made-fibres producers' body) and agreed cut-backs.

At this point, the Commission intervened; it did not like the anti-competition line such an agreement implied and vetoed the plan. This was a double blow because the Europeans had decided it would be politically impossible to incorporate the Americans in the undertaking. The only success they had was to include both Spain and Portugal, neither then in the Community, within their understanding.

CIEFS was forced to make a second attempt because it was clear the problem was not going away and this time it took the Commission into its confidence at every step. With considerable help from Mr Etienne Davignon, then a senior Community official, an agreement was knocked into shape and approved by 1982.

There had been some capacity reductions in 1978, but the total by 400,000 tonnes. But, while Britain and France made significant cuts—by 41 per cent and 40 per cent respectively—and Germany contributed 20 per cent, the Italians actually boosted their capacity by 8 per cent.

The problem in Italy lay in a conflict between state and industry. The industry wanted to co-operate with their counterparts elsewhere but the state was anxious to put in new plant in the depressed regions, particularly in the Mezzogiorno, as part of its policy of getting in industry in these areas.

However, with the help of the EEC a second round of cuts was prepared and eventually implemented: capacity was to be reduced from 2.9m tonnes in 1979-80 to 2.4m tonnes by 1984-85.

Even this cut was accompanied by hic-coughs, but eventually it succeeded. Western European industry has slimmed, is a lot more modern and considerably more efficient than it was a decade ago. It now produces fibres that the end-user, the clothing industry, and the ultimate user, the buyer of clothes, wants. The industry can make a profit and is able to compete with much of the competition from the Far East.

Ironically, the US has still to come to terms with both the Far East and overcapacity. American producers have been used to very large subsidies runs for their internal market and have never really seen the need to trade up in quality and leave the bottom end of the market to the really cheap producers.

It is only in the past two years that they, too, see the need for some action. In this, they are five, perhaps 10 years, behind Europe.

Anthony Moreton



A slimmer textile industry is producing fibres the clothing industry wants

## Energy

## More efficiency sought

THE STEEP fall in crude oil prices last year brought major short term benefits to the European Community as a whole, but it revived the anxieties of planners about the region's vulnerability to future disruptions of supply.

When crude oil prices plunged from \$30 per barrel in the autumn of 1985 to about \$8 last July, it was easy to forget the feelings of near panic which resulted from the two oil shocks of the last decade.

The quadrupling of oil prices in 1973-74 and their tripling in 1979, caused long queues at petrol stations and a scramble to build up stocks coupled with more profound fears that the Western economies themselves would be severely damaged.

The fears that the civilised world's economies were precariously balanced upon the good-will of a few Arab producers were so acute at the time that it is surprising no flags were not run out when the oil price started to collapse last year.

One reason, at least, was the realisation that, in spite of the problems of inflation, recession and unemployment, the rise in the oil price had in one respect served the advanced economies well.

It had stimulated a much bigger swing towards energy conservation and substitution for oil than most people believed possible.

Between 1973 and 1983 the European Community countries cut oil imports by half. In 1983 it is estimated that EEC oil imports in 1986 would be about 300m tonnes per year. This is 14 per cent more than the 1985 level but about 13 per cent less than the level of imports which would be expected by 1986 if the oil price remained low.

The difference results mainly from the lower consumption of oil that could be expected in a world of high prices, though, at

efficiency with which all forms of energy was used improved by more than 20 per cent. However, member countries have decided that this is not enough, and a further improvement of 20 per cent must be achieved by 1995.

The reason for this is clear from the latest estimates by the commission staff in the energy directorate (DG XVII) about the possible effect of lower oil prices on demand, supply and imports during the next decade.

These estimates were based on the scenario of continuing low oil prices, rising only to \$18 per barrel in 1986 prices by the middle of the next decade. The assumption of continuing weakness in the oil market, which now looks entirely plausible, leads to a somewhat alarming conclusion for the development of the EEC's net oil imports. Imports would have to rise by about 30 per cent by 1986 from their level in 1985 to about 440m tonnes a year. This would represent about 80 per cent of the community's consumption, compared with about 70 per cent in 1985.

Perhaps a more telling comparison is with estimates for the EEC's oil balance based on earlier assumptions that the real oil price would continue to rise steadily until the end of the century. This estimate in the Commission's report Energy 2000 assumes an oil price of \$36 per barrel in 1986 prices by the year 1995.

On this assumption, which was the common wisdom little more than two years ago, it is estimated that EEC oil imports in 1995 would be about 300m tonnes per year. This is 14 per cent more than the 1985 level but about 13 per cent less than the level of imports which would be expected by 1995 if the oil price remained low.

The difference results mainly from the lower consumption of oil that could be expected in a world of high prices, though, at

a real price of around \$30, activity in the North Sea would be significantly greater than with prices in the range \$15 to \$18 per barrel.

The reason that this matters is familiar to all who have glanced at a map of the world's oil reserves: about three-quarters of the world's oil reserves are owned by members of the Organisation of Petroleum Exporting Countries. About half the world's total reserves are in the Gulf. By 1995, however, reserves of oil in the US and the North Sea will be running down, so the West will again become heavily dependent on supplies from the Arab world.

This provides all the ingredients for another oil shock. Whether it happens or not, it is a near certainty that at some time before the end of the century oil will become much more expensive again.

The response of the Commission has been to reduce dependence on oil, by:

- Promoting conservation and more efficient usage of energy;
- Continuing the move away from oil as a fuel for electricity generation;
- Giving cautious support to the continued exploitation of nuclear power in spite of the political difficulties, which the accident at Chernobyl in the USSR intensified;
- Trying to increase the share of coal lignite and peat from the present 23 per cent of EEC energy consumption;
- Continuing the development of "alternative energy" sources, from windmills to biomass. Although the contribution of these sources is likely to remain relatively small, it is estimated that they could contribute 5 per cent to Europe's energy needs by the end of the century.

In addition, the EEC intends to continue the long uphill battle against protectionism in the energy field, to persuade governments to rescind laws and taxes which impede competition and to try to give more emphasis to private industry of trade and market prices. Even in gas and electricity, trade across European frontiers has been increasing in recent years. The commission believes that greater reliance on market forces for private industry is efficient and flexible use of energy.

As a result of the enormous shifts which have taken place in the last 10 years in response to the fall in oil prices, politicians have given a ready ear to this prospect. But there is a long way to go. The development of new energy projects is measured in decades, not much time in fact.

Max Wilkinson

## Primary energy balance 1985 and 1995

	(million tonnes oil equivalent)		1995
	1985	1995	
Total	1 048	1 192	1 205-1 255
Primary demand			
Oil	494	496	520-560
Natural gas	184	200	195-205
Solid fuels	238	286	265-295
Nuclear	124	188	179-185
Hydro, etc.	18	24	22-23
Domestic production			
Oil	148	114	(100)
Natural gas	126	112	not estimated
Solid fuels	173	182	not estimated
Nuclear	124	187	179-185
Net oil imports	335	382	420-460

Source: The European Commission

## Chemicals

## Price-fixers watched

TO THE chemical industry, the European Commission is, above all, a policeman, standing in the way of two things the industry has tended to do since time immemorial—form cartels, and pollute the surroundings.

Not all producers have been rigging prices, they have all been anxiously seeking to reduce capacity in line with supply. This essential task has been made harder by the fact that to collide directly with other producers would be against EEC law.

In Japan, by contrast, the crisis in petrochemicals was dealt with relatively quickly, with companies getting together under government pressure and hammering out agreements on who should close down plant in Japan, too, this was against the law, so special legislation was passed to make it allowable.

There are those who argue that European competition policy could learn from this. Professor Joseph Bower of Harvard Business School, for example, has recently published a book—"When Markets Quake"—which argues strongly for more direct intervention in the chemical industry by international bodies such as the Commission.

Professor Bower is one of a number of US academics who believe that old-style anti-trust policy has been overtaken by events. It is not so much a problem of dominant companies putting up barriers to market entry,

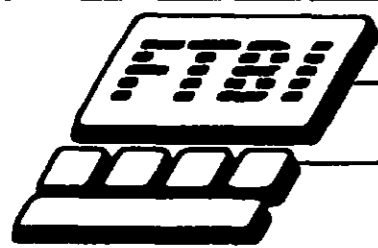
he argues. More important are the barriers to market exit, whereby old-established producers are locked into a loss-making sector, cause economic damage by trying to beat each other to death.

"Industry directors are saying we need restructuring and fewer competitors, but the competition directorate is operating in a different world," he says. "These are very difficult circumstances, and we ought to free up the creativity of companies' managements, see what they can devise, and then prosecute later if necessary. The bureaucrats have no evidence for their model of the world—they just recite what's in the Bible."

Not can this simply be styled the Japanese model. "If the model of unfettered competition between fragmented units doesn't correspond to what we actually see, we need to look for a co-operative model instead. That's common sense."

By this argument, the Treaty of Rome is an essential tool. Professor Bower says: "There's been a lot of discussion of the need for strong cross-national companies, if the European economy is to develop. So far in petrochemicals, most of the major rationalisation moves have been within countries. There is a trend to nationalise rather than internationalise companies, and that isn't healthy for Europe."

Tony Jackson



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## Structures and Sources of Finance

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FT

## Small business

## Securing tomorrow's jobs

SMALL BUSINESSES are being thrust increasingly close to the centre of the EEC's political stage—and the signs are that they will not fade easily back into the wings.

Member states of all political colours are placing greater importance on small business, too much on small and medium-sized enterprises as a key to job and wealth creation, at a time when EEC unemployment remains stubbornly high.

Gene is the days when promoting the sector was seen in Brussels as a fashionable but passing minority cause. As little as five years ago, the small businessman was seen as a worthy individual, deserving of some limited legislative support, but not exactly a possible key to the elusive riddle of job creation.

While still far from being seen as the future for Europe's industrial competitiveness, the small businessman's star has risen higher in the EEC than ever before.

The decline of Europe's manufacturing industries in steel, shipbuilding and cars in particular, has driven home the fact that tomorrow's jobs are not going to come from large, traditionally managed companies. Instead, the flourishing service sector, where small management units have thrived, seems to hold out the hope for job creation.

Added to this is the growing public realisation of the disadvantages that small businesses in the Community face, compared with their US or Japanese counterparts. The myriad of technical and fiscal barriers to free trade between member states, which still exist, mean that the average small business in the EEC tends to be tied to a national market a fraction of the size of that available to its transatlantic counterpart.

Meanwhile, the burden of business regulation still rests disproportionately heavily on the shoulders of the small man in Europe.

The Community has placed a high priority on tackling both of these problems. Its campaign to create a free internal market for goods and services by 1992 is, admittedly, not aimed specifically at small businesses, but it does promise to make a big impact on untangling the EEC's market fragmentation.

Another, much more specialised move, the so-called Venture Consortium scheme, has

already made a promising start in providing subsidised risk capital for cross-border Community enterprises, such as European Silicon Structures, the pan-European custom microchip company headed by Dr Robb Willmott, former chairman of ICL, the British computer company.

Unlike the internal market programme, the European Commission's attempts to reduce risk do not have a specific small business focus. The worry here is that even if a minimum of business regulation is needed to protect consumers, workers and suppliers, a surfeit of poorly co-ordinated rules can stifle growth and job-creation potential.

Deregulation policy is in the hands of a small task-force set up last June, within the Commission, to scrutinise the business costs of new and existing business regulations. It also assesses the value of job-creation measures, and tries to co-ordinate the Commission's approach to small businesses.

Under Mr Abel Matutes, the Spanish Commissioner with

special responsibility for small businesses, the task-force now submits analyses of the costs to companies of complying with each new Commission proposal.

Deregulation policy has been most strongly promoted by the UK Government, exposing it to criticisms from left-wing politicians that cutting red tape makes a poor substitute for more costly job creation measures. But the existence of the task-force marks a new sensitivity by the Commission that it should be looking at the costs of its proposals as well as busily churning out new legislation.

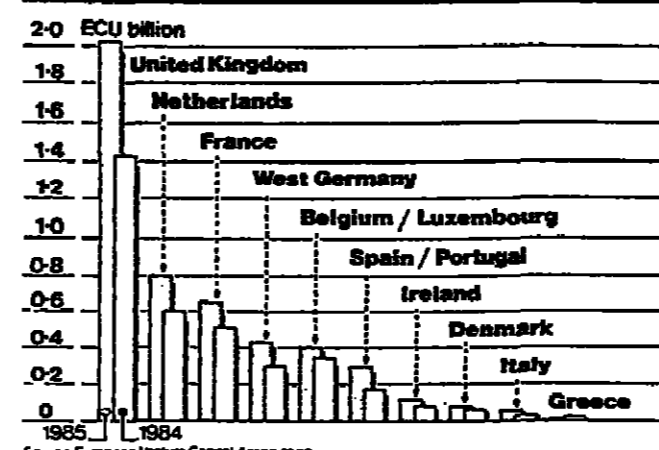
The new enthusiasm for the small businessman's cause at Community-level, of course, mirrors the concerns of the member states themselves. The UK has been possibly the most active promoter of the sector, with its establishment in 1980 of the Unlisted Securities Market, the first regulated market for small company shares in Europe, followed only last year by a third-tier market for businesses too small and speculative even for the US.

France and the Netherlands have followed suit with their own highly active junior stock markets, while unregulated systems for buying and selling small-company shares have flourished in most other member states.

These markets have played a critical role in boosting small businesses' public image and improving their access to equity capital. They have provided a publicly-visible way for entrepreneurs to cash in on the rewards of their efforts. At the same time, they have enlarged the liquidity of the venture-capital industry by allowing the backers of speculative, unquoted ventures to value or sell their equity stakes on a market, or providing an "exit" route in risk-investment jargon.

All this has made possible a spectacular boom in the availability of venture capital, based mainly in the financial centres of London, Paris and Amsterdam. According to the European Venture Capital Association, the industry's total assets rose by a third last year, to over £10 billion, with the Commission to promote cross-border investment, the

## Venture capital



amount of risk equity available in Europe rose by 38 per cent from Ecu 4.8bn, in 1984, to Ecu 6.6bn the following year.

This hectic expansion in venture capital has, of course, been accompanied by a number of embarrassing failures, chiefly among start-ups in the once fashionable high technology sector. Accordingly, the industry's focus has been increasingly on providing finance for expanding companies with proven track records, rather than hyper-speculative start-ups, thereby exposing it to charges that the

seeds of tomorrow's successful ventures are being inadequately catered for.

Whether all this is enough to help Europe's small business sector become as formidable as its counterparts in the US or Japan is still an open question. Both Washington and Tokyo run more tightly defined small-business policies than any EEC government. But sceptics, as one expert points out, might well ask whether a successful economy is the cause, or the result, of a flourishing small business sector.

William Dawkins

## The internal market

## Stubborn barriers delay the plan

THE EUROPEAN Community's campaign to dismantle barriers to free trade between member states is central to its founding fathers' vision of a truly common market.

As such, no member state would care to oppose at least the broad idea of opening up frontiers to allow European enterprises to have free rein across a single international market many times the size of their own. Yet, it is less easy to set against the 138 decisions in details of breaking down the often politically sensitive trade barriers that still prevent Community industries from achieving economies of scale available to their US or Japanese competitors.

Conflicting national interests over issues ranging from the defence of national airlines are one reason — but not the only one — why the Community's internal market programme is now well behind schedule.

"The problem is that people have not even begun to understand the impact of an internal market," complains Viscount Etienne Davignon, former European industry commissioner. "They think of it as just a bigger market for export, rather than a market for import."

The campaign is embodied in the European Commission's June 1985 white paper on completing the internal market, which outlines some 300 barriers to trade to be dismantled by the end of 1992. They include the removal of physical barriers, like internal frontier controls, technical obstacles like incompatible industrial standards or restrictive national procurement practices and fiscal distortions like widely varying Value Added Tax rates.

The proposals could have a wider impact on the lives of the Community's 320m citizens than almost any other area of EEC policy, impacting on subjects ranging from the arcane details of fork lift truck pedal layouts to the personal freedom to live and work in other member states.

"Everything hangs on it," says Lord Cockfield, the British Commissioner responsible for the white paper. Unless you get a unified European economic zone, programmes for science and technology have no base. Similarly, monetary policy,

freedom of movement of capital, an expanding role for the European Monetary System, and wider use of the Ecu all depend on the completion of the internal market.

Yet, the far-reaching nature of the programme has presented it with equally far-reaching opportunities to get bogged down. So it is that the Council of Ministers has to date adopted only 56 of the white paper's proposals — less than a fifth of the total — as against the 138 decisions it should have made by now to keep the 1992 target in reach, according to the Commission.

Some 31 white paper proposals were adopted last year, most of them during the final hectic months of a UK Council Presidency which had staked a great deal of credibility on showing progress on the issue. Another 114 proposals are waiting in the Council for more discussion at working level or by the 12 member states' permanent representatives to the Community. If the new Belgian Presidency follows the UK pattern, it is unlikely to bring many of these to fruition until near the end of its term in June.

But if member states are failing to make decisions as fast as they should, then the Commission, too, has fallen behind in churning out proposals to feed to the Council. The Commission was scheduled to have produced just over 200 proposals — two-thirds of the programme — by the end of last year, but has in fact managed just 170.

Faster decision-making should be made possible by the introduction of more majority voting in the Council by the Single European Act, though provisions in the act for two consultations with the European Parliament instead of one could just as easily become a new brake.

Yet logging the speed of the internal market can be misleading because it progresses in erratic fits and starts. For example, the white paper's 70 plant and animal health measures — 14 adopted so far — might be held by some to be relatively unimportant to boosting the Community's international industrial competitiveness.

On the other hand, some individual decisions mark big leaps. There are broad policy moves, like the so-called new approach

Continued on Page 12

## Profile/Viscount Etienne Davignon

## A stamp of steel on Europe's map

VISCOUNT Etienne Davignon, the mercurial and urbane former European Industry Commissioner, these days has something of the air of a guru.

Retired just over two years ago from the Commission post which gave him the reputation of being the EEC's Mr Fix-it, Viscount Davignon has now moved to an office on the top floor of the Societe Generale de Belgique (SGB), from where he can survey in elegant seclusion the classical layout of Brussels' central park stretched out below his window.

It is an apt metaphor for the way in which the Berlaymont's former chief wheeler-dealer can now look down on the Community with the mixture of sadness and amused irony that is a privilege of a man who has stamped his own personality so vividly onto the European map.

Sadness, because he feels that the process of European economic and trade integration as envisaged by the Community's founding fathers, is staggering

on increasingly slowly. The irony, he argues, is that broad political acceptance of the EEC's value has never been higher.

"The opportunities are there — and lack of enthusiasm is not an obstacle. The problem is, so to speak, that nobody is milking the cow. If you have the best cow in the world and nobody milks it, you don't get any milk," says Viscount Davignon.

In other respects, he believes that the Community's founders would be saddened by the fact that it is more decentralised in its decision-making than they hoped, and more bogged down in domestic political haggling, but that they would be cheered by the solidity of its place in European life.

"The least we can say is that nobody wants to get rid of it. It is ironic that no political party now gets any mileage out of being pro-European, because all its competitors are likely to be pro-European," says Viscount Davignon.

For much of his career, the 54-year-old Belgian aristocrat has stood close to the centre of power, yet tantalisingly just outside it. As an executive director of SGB, Belgium's largest financial and industrial conglomerate, he has had a hand in running what is thought by many to amount to the country's shadow government, though rather more stable than the real one.

Viscount Davignon cut his formidable sharp negotiating teeth as policy director for the Belgian Foreign Affairs Ministry, where he pioneered a new system of informal debate between senior officials that later formed the blueprint for the present EEC system of political co-operation discussions, where the 12 foreign ministers work on ways to co-ordinate policy.

Becoming the first chairman of the International Energy Agency in 1974, Viscount Davignon's repeated calls to France to join the agency were a mark of the irrepressible style which no doubt helped him to earn the

job. But crucially, this also earned him the enmity of the then President Giscard d'Estaing, who was later to be the main block to his bid for the Commission presidency.

He began the first of two four-year terms as Belgium's EEC Commissioner in 1977, controlling the newly merged portfolio of industry and the internal market, and later taking on energy and technology.

In the latter, Viscount Davignon was instrumental in building the Esprit joint information technology collaboration project, which is now fighting for its future funding. But it was his performance in steel that brought Viscount Davignon's reputation to its climax. The Davignon plan for assisting Europe's steelmakers to rationalise their way out of the worst recession in the Community's history got off to a rocky start when the companies started disobeying the rules. But it eventually succeeded in cutting some 30m tonnes of



Viscount Davignon: "Nobody's milking the cow"

capacity out of an industry bloated with overproduction. His latest move to the board of SGB was perhaps less glamorous than some had earmarked for him. However, in Belgian terms, few jobs could be less influential — and it has brought with it a directorship of a suitable trans-national venture.

William Dawkins

## External trade

## Gatt will test the united front

EXTERNAL trade policy has generally been regarded as one of the more successful spheres of EEC activities.

The EEC has not only managed generally to organise a common front against what is generally perceived in Brussels as an onslaught of attacks on its trade policies from the US. It also speaks with a single voice in the framework of the General Agreement on Tariffs and Trade (GATT). And it has managed to evolve a common approach for dealing with the thorny problem of Japan's huge export surplus, even if this has yet to produce much in the way of results.

All this is in marked contrast to the difficulties experienced by the EEC in reaching a consensus in other areas such as foreign policy and monetary affairs or even its own internal market.

In external trade similar constraints apply as in these other areas. A common view must be formed among 12 member countries with often widely divergent interests and priorities. Once such a view is formed, the scope for the Commission to negotiate with outside trading partners is limited, because any concessions could easily undermine the hard-won internal consensus.

This is an institutional problem the EEC has always faced. Now its ability to maintain a common stand is likely to be put increasingly to the test as external trade pressures increase and new Gatt round gets under way in Geneva.

Earlier this year the EEC faced one of its most difficult trade negotiations ever as a trade war loomed with the US over the latter's demand for compensation for grain exports to Europe lost because of Spain's accession to the Community. In the event, the crisis was averted through a series of last-minute negotiations be-

tween Mr Willy de Clercq, EEC External Relations Commissioner, and Mr Clayton Yeutter, US Trade Representative.

Both sides admit, however, that agreement on the grain dispute was a very close-run thing. On the EEC side, it was possible only to resolve the dispute because the Commission negotiators managed to obtain for themselves an unusual degree of negotiating freedom, producing a solution that had subsequently to be ratified by member governments.

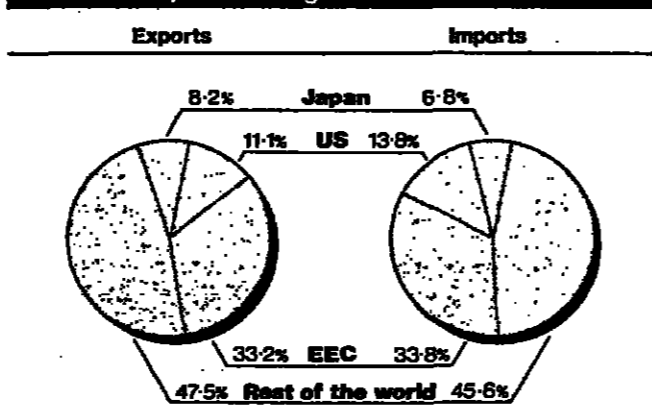
This is a much more flexible approach than that adopted by the EEC in the past, and one on which Commission officials say they may not necessarily be able to rely in the future, especially now that agriculture has been dragged to centre stage in the new Gatt round.

The EEC has always been chary of discussing agriculture in the Gatt round, not least because the talks could act as a focal point for international opposition to its system of export subsidies for agricultural products. Implicit in the aims of the Gatt round is reform of the Common Agricultural Policy, which is bound to be highly controversial within the EEC itself and could split the Community apart.

So far the EEC has attempted, with some degree of success, to fight off US pressure for agriculture to be put on a fast track in the Gatt round. The hope is that this will allow time for political support for reform of the world agricultural trading system to grow, both within and outside the Community, as public opinion comes increasingly to focus on the financial costs of agricultural support.

Already such pressure for reform is growing within the EEC. In the medium term, that could take some of the heat out of the agricultural debate in the Gatt.

## EEC percentage of world trade



allowing some meaningful reforms to be negotiated in the later stages of the round when a calmer atmosphere should prevail.

Nonetheless the wide-ranging differences of approach on agricultural reform within the EEC itself could still impose serious strains on the unity of the EEC during the Gatt negotiations, as France remains broadly opposed to agricultural reform while some other members, such as Britain, actively support it.

Institutionally the EEC's need to find a common position on matters such as agriculture is both a strength and a weakness. If the unity is strong it can make of the EEC a powerful voice in international trade negotiations. On the other hand, the moderate strength of the held opinions of a minority of countries can also lead to a "lowest common denominator" outcome in which the EEC appears inflexible in negotiation and unable to espouse movement for reform and change.

Similarly, the consensus approach has led the EEC to take a much less adventurous position on international trade disputes than that adopted by the US. Whereas the US has taken a strong and autonomous stand in disputes with its trading partners over recent years, the EEC has preferred to shelter behind the legal framework of the Gatt. This is an easy approach to sell to its membership, but not necessarily one that produces speedy results.

In the recent grain war with the EEC, for example, the US announced that it would retaliate against the Community without waiting for a Gatt adjudication. Where the EEC has a dispute with the US, as currently over the imposition of an oil tax, it takes the matter to the Gatt without first retaliating. Only if the Gatt finds that the US is in the wrong would the EEC consider action.

The Gatt disputes procedure is notoriously lengthy and the net result is that the EEC appears at times to have re-

latively little bite to its bark in trade matters. It has made little headway through this route in prising open Japanese markets to European exports.

Earlier this year, the EEC took Japan to task for an effort to force the Nakasone administration to make further adjustments to its taxation regime on wines and spirits, which, the EEC alleges, discriminates against European whisky and brandy. This was the culmination of a long-drawn-out campaign on the issue which is regarded by the European Community as a test case for its efforts to open up Japanese markets. Yet the dispute is now submerged in the Gatt and, in the public perception at least, the momentum seems to have been lost.

Mr de Clercq replies that, in practice, the US approach has been no more productive than that of Europe. "The US makes much more noise, more triumphant statements," he says, but the results are modest. Last summer it negotiated an agreement with Japan, designed to prevent dumping of Japanese semi-conductors in the US; but barely a few months later it had to admit that the agreement was not working.

The EEC's adherence to the Gatt does have one important advantage, however. At least in the industrial field it puts the Community firmly in the camp of those who believe that trade problems should be resolved in a fair and legal way. Whether this means it will be an effective force for free-trade in an increasingly protectionist world over the next few years remains to be seen.

The determination to do so appears to have got stronger as the going has got tougher. "Since the US started behaving like Rambo, they've done more to defend the EEC than 100 speeches," says Mr de Clercq. "The awareness in the EEC of the need to speak with one voice has grown and is now much greater than it was two or three years ago."

Peter Montagnon

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Espirit and Eureka show the value of collaboration in High Technology

# Electronics is the problem area

FEW INDUSTRIAL policy issues have pre-occupied European politicians, businessmen or academic researchers more intensely during the 1980s than the challenge of adapting to the new technologies and harnessing them to generate economic growth and competitiveness.

Anxiety about "technology lag," a subject of keen debate during the 1980s, have re-surfaced with a vengeance in the past few years. Talk of a "crisis" in Europe's technological performance has prompted a variety of actions by national governments and the EEC to try to stimulate a revival of competitiveness.

How justified are Europe's fears? Spending on research and development, one common gauge of technological performance, is proportionately about the same in the major European countries as in the US and Japan, though both the sources and uses of funds differ considerably.

However, other statistics suggest that, overall, Europe gets less back in commercial returns from such investments than do its major trading partners. For example, between 1970 and 1984, its total share of OECD area exports of high-technology products fell from 33 per cent to 28 per cent, while imports rose from 17 to 25 per cent in 1980.

All such measures are, of course, subject to definitional arguments about what constitutes high-technology. Furthermore, the apparent decline in Europe's technological competitiveness is not manifested across the board. It has manifested itself in a number of major industries, including pharmaceuticals, chemicals and mechanical engineering.

In aerospace and defence technology, it may still run a distant second to the US but is a good way ahead of Japan. The Airbus has achieved an impressive international record, admittedly with the assistance of substantial government subsidies, while the Ariane space launcher has emerged as a credible alternative to the ill-starred American shuttle.

Where Europe undoubtedly has problems, however, is in electronics and information technology. In these sectors, it has never attained a position commensurate with its economic importance and its perform-

ance has continued to deteriorate. European suppliers account for a mere 10 per cent of the world microchip market and are minor league players in computing. The only electronics products in which Europe's external trade is roughly in balance are telecommunications equipment—and there largely because most countries impose restrictions on imports.

The heightened sense of concern in Europe about its technological future is attributable to three principal factors:

• The sheer breadth and scale of the impact of information technology. Unlike any other technological advance this century, it is profoundly influencing developments in almost every area of industrialised society, shifting the pattern of business competitiveness and accelerating technological change.

• The growing perception of advanced technology in strategic terms. Uncertainties created by US export controls have persuaded several European governments of the need to maintain "core" technologies, while President Reagan's Star Wars programme was viewed, initially at least, as likely to stimulate scientific talent away from Europe.

• Increasingly fierce international competition has underlined severe structural handicaps to Europe's position. Protected home markets, differing standards and the legacy of "national champion" policies have produced a highly fragmented industry in which even the largest companies lack the economies of scale needed to compete effectively.

All three factors have conspired to generate renewed impetus behind collaboration in Europe's problems. The first major step in this direction, the EEC's Espirit programme of joint research between industry and universities, was taken in 1984 and has been followed by a stream of other Community initiatives such as Race (broadband communications) and Brité (manufacturing technology).

In addition, collaboration was widened beyond the EEC framework last year with the launch of Eureka, which involves about 20 countries. Originally a French-inspired response to Star Wars, Eureka has evolved into an attempt to stimulate joint development of commercial technology products and services by com-

panies in different European countries.

Separately, bilateral alliances have sprung up between major companies. Philips of the Netherlands and Siemens of West Germany are working together on Mega-project, a plan to develop advanced memory chip technology, while Britain's ICL and France's Bull have established a joint research centre with Siemens in artificial computer intelligence.

The objectives of these initiatives differ in detail, but behind them all lies a recognition that the development costs involved in many areas of high-technology are now so high that few companies can afford to go it alone. It is also hoped that encouraging companies to seek alliances across national boundaries will produce a new and more flexible industrial structure.

Both Espirit and Eureka place much emphasis, too, on the development of common standards for new products and services, particularly in the field of digital communications. Europe's widely differing standards have been widely identified as a key obstacle to the creation of a single market.

All these steps clearly mark an advance beyond the insular and nationalistic attitudes, which characterised European approaches towards information technology until a few years ago. But do they go far enough, and have they really identified the root causes of Europe's weaknesses? Many analysts remain to be convinced.

Some argue that politically-sponsored intra-European collaboration is a second-best alternative to cross-frontier mergers and acquisitions, which could offer a more efficient means of pooling resources. However, that route is still largely blocked by the continued tendency in many countries to view even the weakest indigenous competitors as strategic assets, to be kept out of the clutches of foreign predators.

Such attitudes have, inevitably, perpetuated duplication of capacity in a number of industries, most notably public telephone exchanges, though the recent acquisition by France's CGE of control over IIT's European subsidiaries may signal the start of a long

overdue rationalisation in this sector.

There is also a good deal of evidence that European efforts to promote stronger industries have paid insufficient attention to stimulating demand. Per capita European consumption of microchips, computing equipment and telecommunications products and services amounts to barely two-thirds of the US level.

The handy excuse of intra-European trade barriers does not fully explain this discrepancy. Such impediments are undoubtedly a problem in telecommunications, but they hardly exist in microchips, software and most types of computer equipment, where US and Japanese suppliers have carved a broad swathe through European markets.

A number of recent analyses suggest that Europe's low consumption reflects a generally more conservative attitude to innovation than prevails in the US and Japan. Lack of aggressive competition, restrictions on the diffusion of new technology throughout the economy, inadequate financing and a shortage of engineers skilled in applying new technologies are all cited as contributory factors.

On these diagnoses, Europe's problems risk creating a vicious circle. Handicapped by sluggish demand "pull" in their home markets, Europe's high-technology companies are themselves

deprived of many of the incentives to innovate felt by their American and Japanese competitors. Technical collaboration and standardisation are likely to offer partial solutions to these underlying issues, which appear to be predominantly political and social in character and may respond only to longer-term treatment.

On the positive side, however, an increasing number of European companies appear now to recognise that the competition they face is truly global and that addressing it successfully calls for commercial horizons which extend well beyond European markets.

Olivetti and SGS-Ates of Italy, Philips and Siemens are among those which have begun to move aggressively to expand their international operations. In particular, many of them have shaken up their internal organisation and management methods to emphasise enterprise agility, improved efficiency and quicker response to the market.

The overall goal of improving the climate of innovation in Europe seems likely to preoccupy policymakers for some years to come. But there also some encouraging signs that a more enterprising performance may be achieved if individual companies need not wait on its achievement.

Guy de Jonquieres



Electronics Italian-style: circuit production at an Italian plant in Milan

## In place of passion

Continued from page 1

liberalised internal market. But it is hard to believe that it is prudent for the Commission to claim that the Community budget should grow by 5.8 per cent per year in constant prices for six years, or to call for a doubling of the structural funds, at a time when much opinion doubts whether such funds by themselves confer any durable economic benefits.

Perhaps one reason for this ideological volte-face is that the Commission, or at least, the Commission under a socialist President like Mr Jacques Delors, is reluctant to accept the renunciation of activism, not to mention the right-wing connotations, implied by the internal market programme—not least because it carries with it a reduced role for the Commission.

Mr Delors no doubt has his eye on his political future in France, once he completes his term in Brussels. But it may also be that Mr Delors has an anachronistic view of the centre-anachronistic view of the European enterprise and the role which can be played in it by the Commission.

For many years European integration has been essentially economic, first because it was a rational response to the devastation of World War II, secondly because it was a safely anodyne way to achieving political ends. Now there is much still to be done in economic integration: the internal market, the European Monetary System, the ordination of macro-economic policies, high-tech research and development projects, to name but four.

But it may be not merely that the missing dimension of politico-security integration is the one which needs most attention, but also that further progress in economic integration will be contingent on progress in politico-security integration.

With Mr Reagan in the White House and Mr Gorbachev in the Kremlin, politico-military issues are liable to dominate the anxieties of European governments for some time to come. Unfortunately, the structure of the European institutions we have inherited does not make it easy to handle these anxieties in common. Western European Union may have a role to play, but that role has yet to be invented and the Community, by contrast, could easily have such a role, if it were not deterred by the objections of the neutral Irish and the awkward Greeks.

Nevertheless, it seems safe to assert that the European enterprise will not be solidly based until it can hold the balance of political and economic integration.

William Dawkins

## Stubborn barriers delay the plan

Continued from page 11

to setting industrial standards. This aims to dismantle a classic non-tariff barrier by setting broad limits for performance and safety and leaving the minutiae of technical detail up to member states so long as they recognise each other's rules.

This has spawned two proposals on pressure vessels and toys, with another on machine safety due to follow soon. The same ideas lie behind Commission plans for simpler food laws to ensure the marketability in the EEC of any product that meets minimum standards—a sensitive issue which has already drawn cries of outrage from German brewers keen to uphold their local purity laws.

Other encouraging steps forward on the broad policy front include a directive passed late last year to introduce more open competition for public supply procurement, now followed by a proposal to liberalise public works contracting, an activity which represents 9 per cent of the EEC's gross domestic product. Both are attempts to tighten up earlier regulations which have been consistently ignored.

Professional qualifications, freedom of capital movements, telecommunications standards and pharmaceutical testing are other key areas where the Commission is making a broad assault on the internal market. Inevitably, the barriers that pose the most intractable questions of national interest are being left until last. Perhaps the most sensitive of all is the Commission's plan to bring individual member states' excise duties and VAT rates roughly into line, due to be the subject of detailed proposals by the

Brussels authorities in the next few weeks.

Lord Cockfield holds this as a fundamental key to the internal market, because it has wide implications. The abolition of frontier taxes would clearly make it possible to scrap frontier controls of all kinds, and believes Lord Cockfield would spark off an inexorable process of economic integration driven by market forces rather than by Brussels.

Yet, the prospect of finance ministers ceding a major part of their revenue raising powers to the Brussels bureaucracy is not, especially in the case of Denmark and Ireland. Moreover, the extra costs possibly involved in clearing VAT through a central Community office rather than through national customs and excise is bound to raise objections from the budget disciplinarians, France, Britain and West Germany.

As in air transport—another logically vital component of a

free market—or the environment, the fiscal approximation plan looks set to be a new example of how national interests are providing a serious brake to decision making.

Ultimately, the resistance comes down to a business community that has not yet worked out whether or not it will really benefit from the creation of a free EEC-wide market, believes Mr Riccardo Ferrarini, the Commission's deputy director general for the internal market and industrial affairs.

"Those who decide whether we meet our target are not so much the governments of European institutions as the firms themselves," he says. "The message is filtering through better than I expected, but most of them are still undecided. They know they may gain on some grounds but lose on others."

## Inward investment

## US arrivals spur mobility

"FIFTEEN years from now it is quite possible that the world's third greatest industrial power, just after the United States and Russia will not be Europe, but American industry in Europe." Thus began The American Challenge by Jean-Jacques Servan-Schreiber, which, in 1967, warned Europe of the danger of colonisation by transatlantic multinational companies.

Its gloomy forecast was clearly exaggerated. American industrial might no longer excites quite the awe it once did, either at home or abroad, and some big US companies which were active in Europe 20 years ago have retrenched their overseas operations. Furthermore, the multinational strength of European industry has grown, extending into the US and elsewhere.

Nonetheless, foreign direct investment continues to play a big role in most European economies and to arouse strong, and sometimes contradictory, feelings. When assistance is courted by many countries, it can also provoke hostile reactions from local industry and pose awkward questions for government policymakers.

Many of the issues have been thrown into sharp relief by the recent growth of Japanese investments in Europe. There is widespread debate over the motives of Japanese companies, the economic contribution of their European presence and whether they should be regarded as helpful allies or deadly commercial enemies.

The US is still the largest source of non-European direct investments in Europe, with assets valued at more than \$100bn. This presence has been steadily built up over decades. Many large American companies, such as Ford, General Motors and International Business Machines first established a presence in Europe well before the Second World War and their operations have since become closely integrated into host countries' economies.

Until the early 1960s, high national tariffs and other trade barriers required foreign companies to establish local manufacturing bases in each of Europe's major markets.

However, the creation of the European Community and the dismantling of tariffs on intra-EEC trade has made it possible

to serve a much larger area from fewer production centres. US multinational companies were, in many cases, quicker than their local competitors to seize on this advantage by rationalising and streamlining their European operations. New US corporate investors setting up on this side of the Atlantic have invariably chosen their locations with a view to attacking the whole Common Market.

As a consequence, inward investment has tended to become more mobile, and competition to attract it has grown noticeably stronger in recent years. Even the wealthiest countries and regions, such as the Netherlands and many West German states, actively bid for inward investment projects and offer a wide variety of financial incentives and other assistance.

Interest in inward investment received a big boost in the 1970s, when an increasing number of European countries came to see it as a means of reviving economies which had been paralysed by the sharp rise in world oil prices. Initially, its principal appeal was as a way of creating additional employment, but it also contributed to a positive trade balance.

More recently, however, the emphasis has shifted towards the strengthening of countries' technological bases. Investments in electronics projects have been particularly eagerly sought after, in the hope that they will stimulate the creation of a modern industrial base, raise skill levels and help disseminate know-how. Several countries, notably the UK, also attach importance to the "demonstration effect" which the local subsidiaries of well-managed foreign companies can have on indigenous industry.

Some concern has recently been expressed that rivalry between European countries to attract inward investment may be going too far. Last year Mr Willy de Clerq, the EEC commissioner for external and trade affairs, gave a warning that "beggar-my-neighbour" subsidy policies were in danger of distorting competition within the EEC.

Indigenous European companies have also expressed dismay at the generous terms offered to some of their international competitors to establish subsidiaries in the EEC.

Calculating the total value of subsidies, and their economic impact, is almost impossible, however. Though the EEC sets limits on the maximum amount of financial aid which countries can give, full details of individual deals are rarely published.

Some national and regional inward investment authorities believe that competition is set to grow even stiffer. One reason is the growing scarcity of US inward investment projects. After many years of buoyant growth, these began to tail off about two to three years ago, partly because of the fall in the value of the dollar.

A recent survey by Economic Development Briefing of US electronics companies—the leading source of inward investment during the past decade—found that the number planning to invest in Europe had dropped by half from three years ago. Hopes are now increasingly pinned on Japanese industry to take up the running, as the strength of the yen forces more companies to turn to offshore manufacturing.

In the past, European attitudes to Japanese direct investment have varied widely. The Thatcher Government in the UK warmly welcomed it, but France was distinctly hostile. The notorious Pottiers affair in 1982, when France forced all Japanese video recorder imports to be channelled through a remote customs post, is widely remembered.

Today, even France has adopted a more positive attitude. Last year, it claimed proudly to have attracted more Japanese manufacturing plants than any other European country. Furthermore, at an EEC level, the Brussels Commission has been urging Japan to step up investment in Europe to help offset the huge imbalance in bilateral trade.

The Japanese response to date has, however, fallen short of European expectations. Though its companies' direct investments in Europe have expanded quite strongly since the late 1970s to total \$11bn by the end of 1985, they amount to less than half the cumulative total invested in the US and are comfortably exceeded by Japanese investments in Latin America.

Furthermore, there have been widespread complaints that

many Japanese plants in Europe amount to little more than "screwdriver" operations, which employ largely unskilled staff to carry out local assembly from imported components.

The EEC has sought to increase the pressure on Japan by taking a tougher stance on trade. Last year, it imposed stiff anti-dumping duties on imported Japanese copiers, a step which was widely interpreted as overtly political. More recently, the European Commission has proposed extending dumping action to cover components imported for assembly at Japanese plants in Europe.

There have also been demands by companies already operating in Europe, notably Ford and Philips, the Dutch electronics group, for much stricter rules of origin which would ensure that Japanese products made in the EEC contain a high proportion of local content.

There is a considerable difference of opinion within Europe about the longer-term intentions of Japanese industry. Some observers argue that Japanese companies will continue to favour the US and low-cost Asian countries as sites for offshore manufacturing and will do everything possible to keep their most important "value added" operations at home.

But another view, set forth in a recent study sponsored by Britain's Royal Institute of International Affairs, is that Japanese industry's hesitations about expanding in Europe are due chiefly to the fact that most companies are still at a very early stage in setting up multinational operations.

The study concedes that, until now, threats of trade protection have been the main factor behind Japanese investment overseas. However, it argues that a variety of other pressures will operate in the next few years to ensure that investment flows continue to expand.

Indeed, by implication, the study argues that current European concern about inadequate inward investment by Japanese companies is misplaced. Rather, it predicts, European companies can expect to face much tougher competition on their home ground as Japanese industry deepens and expands its presence in Europe.

Guy de Jonquieres

## A LEADER IN OPEN SYSTEMS AT HOME IN EUROPE

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